



DOL Issues Final Rule Increasing Minimum Salary in Phases

On April 23, 2024, the Department of Labor (DOL) issued its long-awaited final rule updating the salary thresholds for certain exemptions from minimum wage and overtime under the Fair Labor Standards Act (FLSA). The new rule significantly increases the salary threshold. Accordingly, every employer who classifies any employee as "exempt" needs to be aware of these changes, evaluate their impact on its workforce, and plan for implementation.

A Quick Recap of "Exempt" Status under the FLSA

At its most basic, the FLSA mandates that employees receive at least minimum wage for all hours worked and overtime compensation (1.5 times their regular rate of pay) for any time worked over 40 hours in a workweek (designated 7-day block). To qualify as "exempt" from one or both of the pay requirements (minimum wage and/or overtime compensation), an employee must generally satisfy certain pay thresholds and job duties tests. These thresholds and tests vary depending on the classification in which the employee qualifies as exempt.

In its new rule, the DOL has changed the pay requirements for employees whose exemption is one of the following:

- Executive
- Administrative
- Professional
- Highly Compensated Employee (HCE)

In the case of each of these four exemptions, the properly exempt employee is paid a regular salary of at least a minimum threshold and satisfies the applicable job duties test for the exemption. Each

of the exemptions above are typically classified as "white collar" exemptions, even though each has its own job duties test. Currently, the minimum salary threshold for either an Executive, Administrative, or Professional (EAP) exemption is \$684 per week (\$35,568 annualized), and \$107,432 on an annual basis for the HCE (which includes at least \$684 per week paid on a salary or fee basis).




Changes to the Thresholds

As of July 1, 2024, the minimum salary thresholds will be:

- \$844 per week (\$42,888 annualized) for EAP exemptions; and
- \$132,964 annual salary for the HCE exemption.

As of January 1, 2025, the minimum salary thresholds will be:

- \$1,128 per week (\$58,656 annualized) for EAP exemptions; and
- \$151,164 annual salary for the HCE exemption.



The new rule also provides for adjustments to these thresholds every three years, beginning on July 1, 2027.

Takeaways for Employers

Every employer should take this opportunity to fully evaluate whether employees are properly classified as exempt based on job duties AND salary threshold.

If an employee satisfies the job duties requirements of their exemption but will require a bump in compensation due to the increased thresholds, this change should be implemented quickly and certainly prior to July 1, 2024. If, however, an employer finds that an employee fails to satisfy the job duties requirements of their purported exemption, this is the perfect time to make a correction and transition that employee to non-exempt.

Navigating the intricacies of the Department of Labor's recent updates to the Fair Labor Standards Act, and ensuring compliance and fair treatment for your workforce is paramount. If you're uncertain about how these adjustments may impact your organization or need guidance on navigating the complexities of employment law, don't hesitate to reach out to your attorney or any member of our Employment Law Team.