What’s Happening: Compensation Update

Issue II

FLSA CHANGES FOR 2016

The Department of Labor (DOL) published final regulations updating the Fair Labor Standards Act on May 18, 2016. The new rules go into effect December 1, 2016.

In Brief: The FLSA generally requires covered employers, including Purdue, to pay their employees overtime premium pay of one and one-half times the employee’s regular rate of pay for all hours worked over 40 in a workweek. However, there are a number of exemptions from the FLSA’s overtime requirements. Specifically, any employee employed in a bona fide executive, administrative or professional capacity as defined by the FLSA is considered to be exempt from the overtime protection.

Right Now: Workers are classified as either exempt or non-exempt depending on their salary and the type of work they do. The FLSA establishes a minimum salary level in order to be exempt from overtime. The current salary minimum is $23,660 per year ($455 per week). Employees who earn more than $23,660 may be exempt from the FLSA overtime regulations if their primary job duties meet a “duties test” (as defined in the regulations). Positions that are exempt are not required to record and track hours worked. Non-exempt positions, on the other hand, require an employee to record and track all hours worked; any time worked in excess of 40 hours in a workweek will need to be paid at time and a half.

Final Rule: The featured change in the final regulations is an increase in the salary minimum to the 40th percentile of weekly earnings for full-time salaried workers in the lowest income Census region (currently, the South. The salary threshold will be raised from $23,660 per year ($455 per week) to $47,476 per year ($913 per week).

The DOL will automatically update the salary minimum every three years, beginning in 2020. Purdue will conduct an assessment every three years based upon a new salary minimum and make necessary adjustments to ensure employees are properly classified as exempt or non-exempt.

What That Means: As communicated previously, employees who earn less than the newly set minimum salary will need to be reclassified as non-exempt, must track their time and must be paid overtime for time worked in excess of 40 hours/week.

Supervisors are obligated to ensure that all working and leave hours for non-exempt staff are accurately recorded.

What’s Next: Given the December 1 effective date, the University will use this time to carefully assess and prepare for the impact of these changes. As decisions are made, we will keep you informed.

If you have questions about this information, please contact Human Resources Compensation at hr@purdue.edu or your regional campus representative.