



Fair Labor Standards Act: DOL Increases Minimum Salary Level for Exempt Employees

On April 23, 2024, the U.S. Department of Labor (DOL) announced that the salary threshold for exemption status will increase from the \$684/week (\$35,586 annually) to \$1,128/week (\$58,656 annually).

The transition will occur in two phases:

Department of Labor Proposed Rule			
Effective	Minimum Weekly Pay	Annualized	Percent Change
Current	\$684.00	\$35,568.00	--
July 1, 2024	\$844.00	\$43,888.00	23.4%
January 1, 2025	\$1,128.00	\$58,656.00	33.6%

If the rule takes effect, employers will need to ensure salaries for all exempt employees meet the new minimum levels. If not, these employees will need to be reclassified as nonexempt (eligible for overtime) by July 1, 2024. To maintain an exempt FLSA status ineligible for overtime earnings, workers must earn an annual minimum salary of \$43,888 as of July 1, 2024, and an annual minimum salary of \$58,656 as of January 1, 2025.

While the proposed ruling is not yet final, most commentators believe enactment is likely. As a result, organizations should start considering the impact of the rule and how to address it.

WHAT YOU NEED TO DO:

- Identify exempt jobs and employees that may be impacted. This includes those in grades with a pay range minimum below the new FLSA minimum salary threshold and all exempt employees, including part-time employees, whose weekly earnings are less than the new minimums.
- Understand your state’s requirements regarding overtime pay and advance notice of wage changes.
- Review the job duties of people and roles that may be impacted and determine whether they are paid on a salary basis and still meet at least one of the duties tests for exemption under FLSA.
- Compare cost scenarios for impacted roles, including a review of current overtime and work hours, base pay, regular rate calculations, benefits, incentives and bonus payments, and time tracking. Make exemption status changes where necessary.
- Determine your organization’s strategy for addressing any pay compression that may be caused by minimum salary threshold changes and calculate the associated costs.

- Ensure pay range minimums for exempt roles are at or above the new minimum salary thresholds and calculate the final cost of any resulting base pay increases.
- Assess final job and employee changes and determine approach for resolving other downstream effects (e.g., benefits, timekeeping, etc.).
- Develop a change management plan and communicate any changes to leaders and impacted employees.
- Determine your organization’s implementation and governance approach as the minimum salary threshold is proposed to increase every three years beginning July 1, 2027.

NEED HELP NAVIGATING THESE CHALLENGES?

SullivanCotter has years of experience helping not-for-profit health care organizations navigate regulatory changes such as these. We can help your organization to address the DOL’s proposed ruling by assisting with:

- **Job Description and/or Job Duty Review** to assess consistency of FLSA classification across similar titles.¹
- **Pay Structure and Practice Review** to ensure compliance with the new minimum salary thresholds.
- **Detailed Cost Modeling** to meet an organization’s budgetary needs while addressing any resulting pay compression.
- **Strategic Roadmap Design** to prepare you for future salary threshold increases.
- **Communications, Training and Change Management** to help leaders and staff understand the overtime exemptions, duties tests, salary tests, and impacts of these changes. This includes drafting talking points, responses to frequently asked questions, and leader guides.

¹SullivanCotter is not a law firm and cannot provide legal advice regarding FLSA classifications but we can provide market prevalence and review for consistency and adherence to the exemption tests based on our expertise as Human Resources and Compensation consultants.

Industry changes require all hands on deck.

SullivanCotter can provide ad-hoc consulting or function as an extension of your team through our co-sourcing services. We can partner with you through the FLSA changes and beyond to help support ongoing compliance and streamline program administration.

Looking for additional insight?

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