Fair Labor Standards Act (FLSA)

FLSA 101: What you need to know now
What is the Fair Labor Standards Act?

- Established in 1938
- FLSA establishes work standards affecting employees in private sector and in Federal, State, and local governments
  - Minimum wage rates
  - Payroll and Time Recordkeeping
  - Youth employment
  - Overtime pay rules
- Enforced by US Dept. of Labor
Main Areas of Exemption Test

• 1. Base Salary Level (threshold)
• 2. “Salaried” Pay Type
• 3. Job Duties
Exemption under the Federal Fair Labor Standards Act (FLSA)

**Exempt**

- Employees in these types of jobs are **not** subject to Minimum wage, Overtime, and Time-keeping requirements of the Act
- Exempt positions have executive, administrative, or professional responsibilities requiring significant professional and advanced knowledge in a particular area; a primary duty of management, regularly exercising discretion and judgment, customarily and regularly direct the work of two or more other employees; and have authority to hire or fire or may make suggestions and status for other employees

**Non Exempt**

- Employees in these types of jobs **are** subject to Minimum wage, Overtime, and Time-keeping requirements of the Act
- Positions are entitled to minimum wage provisions, overtime pay, and must (by law) maintain accurate records of the hours they work in a day

*Employees may check their timesheet if they are unsure of their current status or contact HR service center*
Overtime Pay Rules

• In 2014, President Obama asked the Department of Labor (DOL) to update the FLSA regulations
• Proposed updated regulations were issued in July 2015
• Primary change was to the salary threshold that determines overtime pay eligibility
• May 2016 final new FLSA regulations were issued
• Effective date is December 1, 2016
**So What’s Changed?**

<table>
<thead>
<tr>
<th>Current</th>
<th>New (Effective December 1, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$455 a week or $23,660 a year</td>
<td>$913 a week or $47,476 a year</td>
</tr>
<tr>
<td>Threshold set and frozen</td>
<td>Beginning Jan 2020, the salary threshold will be updated every 3 years</td>
</tr>
<tr>
<td>Salary test set at $100,000</td>
<td>Salary test set at $134,004</td>
</tr>
<tr>
<td>Bonus was not included in threshold calculation</td>
<td>Allows up to 10% of min salary to be met by non-discretionary bonuses, incentive pay or commissions if made quarterly</td>
</tr>
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- **Base Salary Level**
- **Highly Compensated Worker Test**
- **Special Pay**
Job Duties Test

• DOL provided no changes to the FLSA Job Duties Test
• Categories of exempt job duties include:
  - Executive job duties
  - Professional job duties (Learned and Creative)
  - Administrative job duties (including category of academic administrative professionals)
  - Certain computer positions
  - Outside sales
Reminders on Nonexempt Management

• New law does not impact nonexempt time management
• Must maintain accurate time records, regardless of hours worked
• Ensure work is authorized and recorded including:
  - Off the clock
  - Meal and rest breaks
  - Travel
  - Remote work access
• Must pay overtime (time and one-half) for hours over 40 each week
• Never allow employees to leave overtime hours unreported
So What’s the Plan?

Phase 1 • Planning (June)
Phase 2 • Analysis and Refinement (July)
Phase 3 • Job Description/Slotting Review (August)
Phase 4 • Critical Business Decisions (September)
Phase 5 • Communication and Education (October)
Phase 6 • Implementation (November)
Questions?

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