



Overtime is Okay

5 Ways to Overcome the Time-Tracking Stigma

Summary

The minimum salary threshold for overtime exemption will more than double on December 1, 2016, qualifying millions of additional workers for overtime pay.

This paper examines:

- Specific changes to the overtime salary threshold
- Overtime as a cost-effective labor strategy
- Cultural complications associated with time tracking

Who should read this?

Payroll and HR professionals who are:

- Facing an increase in labor costs when the overtime salary threshold changes
- Looking for strategies to assess and manage overtime
- Needing tips to overcome the stigmas associated with time tracking

Overtime: The New Rules

The Department of Labor (DOL) announced it will raise the minimum salary threshold for FLSA overtime exempt workers and highly compensated employees (HCEs) on December 1, 2016.

To be exempt from overtime, employees need to meet the job duties requirements for exempt employees and earn pay that meets or exceeds the minimum salary threshold.

While the job duties requirements (standard duties test and the HCE duties test) remain unchanged¹, the new rules more than double the minimum salary threshold.

	Current		Effective December 1, 2016	
	Annually	Weekly	Annually	Weekly
Standard Employee Threshold	\$23,660	\$455	\$47,476	\$913
Highly Compensated Employee Threshold	\$100,000		\$134,004	

Fig 1. Current salary threshold versus new threshold changes effective December 2016

With such a large increase, DOL estimates the new OT rules will affect 4.2 million workers.² In addition, these limits will increase every three years to keep pace with inflation. So, what does this mean for employers?

When Is Overtime Okay?

Many employers make the mistake of thinking that overtime is something that should always be avoided when, in fact, overtime can be a useful cost-saving strategy when managed strategically. But, the critical step is determining the impact of overtime on your organization.

First, determine how many employees will qualify for overtime under the new rules. Then assess how many overtime hours employees currently work. Which category do they fall into?

- **Occasional Overtime.** If overtime doesn't strain your labor budget, it could be most effective to continue to pay it.
- **Expected Overtime.** Do employees expect or rely on overtime as part of their regular compensation? Consider setting an overtime budget (for example, a maximum of 5-6 hours per week) and let employees manage when and how they use it.
- **Heavy Overtime.** If overtime costs are a burden, consider raising salaries to meet or exceed the minimum threshold to avoid overtime pay. (Note that for employees to be exempt, they also must meet the job duties criteria as well.)

It may be most helpful to combine these strategies as needed by department, team or group to create the most cost-effective overtime management plan.



Cultural Complications of Time Tracking

DOL's new rules are designed to affect higher salary workers. But, in order to pay overtime, salaried workers will need to start tracking their work hours—something many associate with hourly pay.

When nothing about their job, hours or responsibilities has changed, employees may feel like they have been demoted or their work is seen as less valuable because they have to start tracking their time. This can contribute to a sense of lost prestige and lowered morale.

How can employers combat this?

5 Ways to Overcome the Time-Tracking Stigma

Depending on your specific situation, use these five ways to empower employees and emphasize that time tracking does not mitigate their importance to your organization:

1. Explain that their salary status is unchanged

DOL's new rules do not require them to be paid hourly. If workers remain salaried, explain that they will still be treated as salaried workers.

2. Emphasize that their workday may not change

For some employees, the only change they'll encounter is receiving additional pay for time worked above 40 hours/week. Time tracking is the only way to confirm when they've hit that benchmark.

3. Show them they still have control

The new rules don't specify a particular schedule, so employees still control when and where they work, especially if you have mobile employees or flexible schedules.

4. Give them the ability to manage their time

Time and attendance mobile apps or web portals allow them to track time without using a time clock, which can have a stigma for some professional workers.

5. Use overtime notifications

Work with your provider to automatically send alerts to employees (and notify managers) when they're approaching overtime. This helps keep overtime on track and on budget.



Conclusion

While millions of new workers will qualify for overtime under the new minimum salary threshold, many organizations may find overtime to be a cost-effective labor strategy compared to the alternatives.

Shifting salaried workers to time tracking can cause “cultural complications” as workers feel they’ve been demoted or their work is less valued. But employers can combat this stigma by explaining what (if any) changes will affect employees’ status and workday and empowering them with time tracking technology such as mobile apps, web portals and automated alerts. This gives a greater sense of control over their time management and smooths the transition process.

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Attendance on Demand supports the labor management needs of thousands of companies and nearly one million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company’s risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, automating recordkeeping for labor law compliance and managing employee status and reporting for the Affordable Care Act. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

This document simplifies complex regulations as they are understood by Attendance on Demand, Inc. It is not to be taken as legal advice. For further information about overtime compliance, contact the U.S. Department of Labor at www.dol.gov.

References

- 1 U.S. Department of Labor, Wage and Hour Division. “Fact Sheet: Final Rule to Update the Regulations Defining and Delimiting the Exemption for Executive, Administrative, and Professional Employees.” DOL.gov. May 2016. Web. Accessed 20 Jun 2016. <https://www.dol.gov/whd/overtime/final2016/overtime-factsheet.htm>
- 2 Shierholz, Heidi. “Who Benefits from the New Overtime Rule?” Blog.DOL.gov. 18 May 2016. Web. Accessed 20 Jun 2016. <https://blog.dol.gov/2016/05/18/who-benefits-from-the-new-overtime-rule/>



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