

HR BRIEF

Provided by Baldwin Krystyn Sherman Partners

DOL Issues New Salary Limits for Overtime Exemptions

On Sept. 24, 2019, the U.S. Department of Labor (DOL) [announced](#) a new [final rule](#) that updates the salary thresholds that some individuals must meet in order to qualify for a minimum wage and overtime exemption under the federal Fair Labor Standards Act (FLSA). The final rule becomes effective on Jan. 1, 2020.

2019 Overtime Final Rule

The final rule affects the exemptions for executive, administrative and professional (EAP) employees, highly compensated employees (HCEs), employees in the motion picture industry and individuals who work in various U.S. territories.

The final rule's salary levels differ from both the 2016

and 2019 proposed levels. For 2020, the final rule EAP and HCE salary exemptions are as follows:

- Standard salary level: \$35,568 per year (\$684 per week)
- HCEs: \$107,432 per year

The DOL intends to update the standard salary and HCE total annual compensation levels more regularly in the future through notice-and-comment rulemaking.

Employer Action Steps

To prepare for the final rule's Jan. 1, 2020 effective date, employers should:

- Determine which currently exempt employees have salaries below the new threshold.
- Decide whether to increase salaries for these individuals or reclassify them as nonexempt employees.

The Pros and Cons of Incentive Pay

It's no secret that top talent expects to be paid top dollar. According to PayScale, 25% of employees said that compensation was their main motivation for quitting a job. Moreover, compensation is consistently reported as one of the top motivators for employees.

That's where incentive pay can be beneficial. Incentive pay is a type of compensation awarded to employees for results achieved. One common example of incentive pay is commission, where sales professionals are paid a proportion of each sale they make.

Incentive pay programs can be designed in a variety of ways, but their ultimate goal is to encourage and reward employees for working hard and delivering results.

Incentive Pay Advantages

With incentive pay, employees who work hard to produce results will receive the compensation. As such, employees will be motivated to deliver results and go above and beyond in hopes of receiving incentive pay. Typically, productivity and employee engagement will increase too.

Incentive Pay Drawbacks

With incentive pay programs, there's a risk for increased competition among employees that can lead to resentment and a cutthroat workplace culture. Additionally, as employees push themselves in hopes of receiving incentive pay, they may be putting themselves at risk of burnout.

Making the Decision

Incentive pay programs aren't right for every organization. Contact Baldwin Krystyn Sherman Partners to see if this type of program would be right for your company.

