



HR AFFILIATES

HR UPDATES

If you are an HR Affiliates client, we've been working with you recently to prepare for the upcoming FLSA changes that would have increased the minimum salary for exempt employees. The increase in January was to have been larger than the one already encountered over the summer, and a lot of planning was in motion.

However, at the end of day on Friday, November 15, 2024, a federal court in Texas ruled that the Department of Labor had *overstepped its authority* with the most recent rule increasing the minimum salary for exempt employees. This means it determined that the July 1 required increase is void, the additional increase that would have taken effect on January 1, 2025, won't happen, and the automatic increases that were scheduled to occur every three years are no more.

In short, the whole rule was thrown out and the minimums have reverted to what they were prior to July 1, 2024. This means that most executive, administrative, and professional employees need to be paid at least \$684 per week (\$35,568 annually), and increased salaries that the new rule would have enforced no longer need to be considered. Employees classified under the highly compensated employee exemption need to be paid at least \$107,432 per year.

#### **What to do now?**

First, you do not need to continue to plan on making adjustments in January to comply with this ruling. Technically, you can roll back changes you made to comply with the rule in July. However, you can't *retroactively* reduce pay or change an employee's classification to adjust for overtime paid during this period. Realistically, however, we would recommend thinking long and hard before making any changes to someone's salary in light of this rule being withdrawn. The implications this would have on culture and morale could be significant.

If you do determine that you need to change someone's FLSA classification, employees should be made aware of any changes to their pay or classification before the changes take effect, and in compliance with any applicable state or local laws, which may have specific notice requirements.

You should also consider the potential impacts this change could have on employee morale and do what you can to mitigate those that may be perceived as negative. If nothing else, explaining that changes are due to fickle federal law and the needs of the business will help employees understand that your decisions aren't arbitrary.

If you find yourself in a bind trying to navigate this knot of dos and don'ts, please reach out to your team at HR Affiliates. We are here to help.