

2016 FAIR LABOR STANDARDS ACT (FLSA)

HR ADMINISTRATIVE PROCESS TRAINING – OCTOBER 2016

BRIEF GUIDE to the FLSA

Federal Labor Standards Act

Determines whether a position is eligible for overtime pay

- “Exempt” position: not eligible for overtime pay
 - “Non-exempt” position: eligible and must receive overtime pay at time-and-one-half for any hours worked above 40 hours in one workweek
-

BRIEF GUIDE to the FLSA

Three Tests

A position may be considered exempt under FLSA if it meets the following tests

- Employee must be paid on a salary basis, not an hourly basis
 - Duties must meet criteria for executive, professional, administrative, computer or outside sales activities
 - Compensation rate (pro-rated full-time rate if part-time) must be at least \$47,476 annually (effective December 1, 2016)
-

BRIEF GUIDE to the FLSA

Exemption provisions

The following are excluded from the salary minimum test

- Faculty and instructional academic staff whose primary duties are teaching (no salary minimum required)
 - In higher ed, positions that fulfill the “academic administrative” exemption require a minimum salary threshold at the entry level salary for teachers; primary duty entails performing administrative duties directly related to academic operations and functions
-

BRIEF GUIDE to the FLSA

FLSA Status at AU

At AU, FLSA status affects the following areas of employment

- Eligibility for overtime pay for hours worked above 40 in one workweek
 - How time is reported
 - Leave reporting system
-

BRIEF GUIDE to the FLSA

What counts as overtime

Hours above 40 for each workweek (Sunday through Saturday) constitutes as overtime

- Only time worked is counted towards overtime
- Paid time off are not counted: vacation, holiday, sick, jury duty, funeral leave

NEW OVERTIME ELIGIBILITY RULES

Background: What has changed

- As of December 1, 2016, the new salary threshold to be considered exempt under the FLSA is \$47,476 annually, an increase from the previous threshold of \$23,660.
 - In addition, the Department of Labor will review the threshold for future adjustments every three years going forward; the current plan is
 - ✓ 2020: \$51,168
 - ✓ 2023: \$55,108
 - ✓ 2026: \$59,351
-

NEW OVERTIME ELIGIBILITY RULES

University Approach

Throughout this analysis on the implications of overtime, there were some fundamental principles constantly under consideration

- As much as possible, maintain internal equity
 - Manage excessive overtime in a practical, effective, and pragmatic way
 - No employee should receive a base salary/rate decrease based on a 40-hour work week
-

NEW OVERTIME ELIGIBILITY RULES

University Approach - continued

With these principles guiding the deliberations, additional factors in making these decisions included the following criteria

- Level of responsibility
 - Critical nature of position to daily campus operations
 - Frequency of demands beyond normal work hours
-

NEW OVERTIME ELIGIBILITY RULES

What Employees Can Expect:

As of November 27, 2016 (Sunday), start of a new pay period

- They will begin reporting all time worked in addition to exception time (overtime and time off)
 - They will earn overtime pay at time-and-one-half for all hours worked above 40 in one workweek (Sun – Sat)
 - They will begin to accrue into and report paid time-off hours from a paid-leave and long-term sick bank; vacation accrual rates will remain the same
-

NEW OVERTIME ELIGIBILITY RULES

What Employees Can Expect: Time Reporting

Through the university time clock system

- If there is an electronic punch clock in the building where employee works a normal or regular schedule, their ID card should be used to punch in and out of work time
 - The hours worked and other time reported are available for secured online access at:
www.andrews.edu/admsvs/timeclocks
 - All hours reported must be approved and submitted by the employee's supervisor or departmental time manager by 1pm on Monday of pay week for payment on pay Friday
-

NEW OVERTIME ELIGIBILITY RULES

What Employees Can Expect: Pay/Pay Stub

- Biweekly salary is based on a 40-hour work week; the converted hourly pay rate will be based on dividing the annual salary by 2080 hours
 - The earnings portion of the paystub will display differentiation of the various types of hours that have been processed and paid
-

NEW OVERTIME ELIGIBILITY RULES

What Mgrs/Supvs Can Expect: Managing Overtime

In order to manage hours within department budget be mindful of potential changes in expectations and behaviors

- Clearly communicate these expectations up front to avoid unexpected overtime
 - Adjust work schedules when work must occur outside normal business hours
 - Explain timesheet and departmental time reporting procedures to newly non-exempt employees
-

NEW OVERTIME ELIGIBILITY RULES

What Mgrs/Supvs Can Expect: Paid Time Off

Leave system for paid time off will now be covered by two banks

- Paid leave bank (vacation hours transfer) & Long-term sick bank (formula for hours conversion)
 - Will accrue hours for each work time or paid time off reported
 - By policy other paid time off available are bereavement leave, jury duty leave, and weather closure (“snow time”)
-

NEW OVERTIME ELIGIBILITY RULES

What Mgrs/Supvs Can Expect: Salaried Leave

In order to ensure that the appropriate vacation balance is transferred to the employee's new paid-leave bank

- For vacation up to Nov 26, employees must report it in their November (vacation) leave report by the deadline
 - Supervisors approve leave reports as usual
 - Vacation time after Nov 26 should be reported through the time clock system
-

NEW OVERTIME ELIGIBILITY RULES

What Mgrs/Supvs Can Expect: Job Fill/Posting

- A position may be exempt or non-exempt based the salary level
 - Positions are subject to FLSA review and classification
 - Exemption status are subject to change as a result of such review
-

NEW OVERTIME ELIGIBILITY RULES

What Mgrs/Supvs Can Expect: Mobile Devices

Mobile devices expand the opportunity for work to be performed outside of normal work hours

- Responding to emails or calls after hours must be counted as paid work time (and potentially overtime) for non-exempt employees
 - New expectations may need to be set with employees about answering emails or calls outside of normal hours
 - Or may need to assess whether to provide mobile devices at all
-

NEW OVERTIME ELIGIBILITY RULES

Key Transition Dates

Nov. 27, 2016	Start of first pay period as hourly; begin recording time worked and paid-time off
Dec. 4, 2016	Paid-leave & long-term sick balances available
Dec. 10, 2016	End of first pay period as hourly
Dec. 12, 2016	Work and paid-time off must be submitted to payroll by 1pm
Dec. 16, 2016	First pay date as hourly (reflects Nov. 29 – Dec. 10)

PROCESS REVIEW

Packet for Supervisors

- Letter to all employees under the new threshold
 - Rate Sheet or Recommendation for Appointment Form
 - ✓ Rate sheet: enter expected work hours (no range please)
 - ✓ Need signatures: First & Next Level Supervisor
 - ✓ Then submit to Employment Office
 - Review letter and form to ensure it reflects decisions made
 - Employee guide – please make copies for your employees
-

FREQUENTLY ASKED QUESTIONS

- Refer to Managers/Supervisors FLSA guide
- Currently 18 FAQs

FLSA INFO - *(coming soon!)*

www.andrews.edu/HR

FLSA QUESTIONS

hrasstdir@andrews.edu

**THANK YOU
FOR COMING!**