

# LA County Business Connect

Helping Business Thrive in LA County

## Be Ready—New Overtime Law Provisions Go into Effect December 1, 2016

**The Fair Labor Standards Act (FLSA).** Under federal law employers are required to pay their employees at least the federal minimum wage for all hours worked and pay overtime at time and a half for hours worked over a 40 hour work-week. In order to modernize labor laws and ensure fair practices, salary levels for qualified employees eligible for overtime exemption have changed.

### New Changes—The Final Rule

Two key changes known as the Final Rule include:

1. Salary level for overtime exempt employees changes from \$455 per week to \$913 per week, or \$47,476 annually.
2. Levels for Highly Compensated (HC) employees will be raised from \$100,000 to \$134,004 per annual salary.

There are no changes to the duties test.

### The Final Rule begins on December 1, 2016.

This law will affect over four million employees. There are challenges and implications for employers and employees.

### See the Department of Labor New Final Rule website

- Full details and guidance.
- Who is impacted.
- Employer flexibility.

**Avoid Issues. Be prepared.** The best way to counter any negative implications from this new salary increase is to make preparations.

- Use this initiative as an opportunity to review your overtime practices.

- Work with your hourly needs versus your salary caps to meet demand and avoid layoffs or large annual payroll increases.
- Consider issuing non-discretionary bonuses to meet the new salary level increase. These must be fixed formula-based amounts placed in advance.
- Adjust workloads to reduce overtime hours.



If a reorganization of your workforce is required, [your local America's Job Center of California \(AJCC\)](#) can assist with employee training and employee recruitment. The AJCC provides [a range of workforce services and additional resources at no-cost.](#)



The [Los Angeles County Department of Consumer and Business Affairs](#) (DCBA) is a resource that assists small business owners, offering information and events related to wages and helps to **mediate disputes**.

### Reclassify or Increase Wages.

In the cases where adjustments can be made, consider what is most cost-effective to the company and best for the employee, increasing annual salary or re-classifying the job duties.

For example, employees who previously qualified for overtime exemption status may have their salary increased to \$47,476 a year. As long as the employee meets the duties test, they will be in line with the new rule.

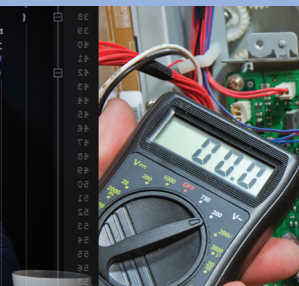
There is also the option of converting an employee to an hourly wage. You would then need to determine what hourly rate, coupled with expected overtime, is needed to meet demand and keep the employee at or near his current annual income.



The [Small Business Administration \(SBA\)](#) also offers free information for employers.

### The Rules are Changing:

Bona fide EAP employees vs overtime-entitled employees



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LAEDC Success Story highlights:  
**Conveyor Service & Electric (CSE)**

Learn more details about:  
**Highly Compensated Employees**  
**The DOL Duties and Salary tests**

## LAEDC Success Story Conveyor Service & Electric (CSE)



**Conveyor Service & Electric (CSE)** manufactures, services and repairs conveyor systems used in distribution centers. The business is expecting 2016 to yield its best sales year yet.

**The Challenge.** CSE had occupied the same location for ten years and the landlord was not able to lease them additional space. The company was out of room and looking at cost feasible options for expansion in light of new growth.

### 22 Jobs Saved in Santa Fe Springs

The LAEDC Regional Economic Development (RED) team began by conducting a needs assessment. Economic development partners were identified as part of the solutions-driven team.

- **SCE** used their Energy Efficiency Program to swap out much needed fluorescent bulbs, helping CSE to reduce costs.
- **CMTC** provided a space utilization consultation showing CSE how they could improve workflow.
- The **Chamber** provided consulting on techniques to enhance business development.
- **America's Job Center of California** met with business and conducted a recruitment for a machinist.
- **LAEDC** provided strategic advisory and reviewed available programs and incentives including R&D Tax Credit, California Competes and State of California Partial Sales Tax exemption. The LAEDC also reviewed areas for cost containment including Workers' Compensation and claims management best practices.

**All of these services were provided at NO COST.**

The RED team's plan and real solutions helped CSE find ways to better utilize their existing space. The landlord renewed their lease, allowing the business to stay in Santa Fe Springs and save 22 jobs.

*"Thank you to the LAEDC for taking the time to work with us and to share all of the wonderful programs the LAEDC and its partners have in place to help companies like ours stay in the community and continue to grow. We are ready to dig in and start working with you on our new growth plan."*  
**Pat Moseley, Owner, CSE**

*From first page*

### Highly Compensated (HC) Employees—New Changes

The final Rule sets the total annual compensation requirement for highly compensated employees (HCE) subject to a minimal duties test to the annual equivalent of the 90th percentile of full-time salaried workers nationally, which is \$134,004.

If you do not have a dedicated human resources department, check with your **payroll company** or human resources consultant for suggestions on the preparations you need to take.

### Know the tests for overtime exemption.

Two tests decide if an employee is an overtime-protected white collar worker or a bona fide Executive, Administrative, and Professional Employees (EAP) worker who is not entitled to overtime pay.

#### Salary Test:

The employee must be compensated on a salary or fee basis (as defined in the regulations) at a rate not less than \$913 per week.

#### Duties Test:

The employee's primary duty must be the performance of work requiring advanced knowledge, defined as work which is predominantly intellectual in character and which includes work requiring the consistent exercise of discretion and judgment.

The final rule does not make any changes to the duties test for executive, administrative and professional employees, however it is important to take this time to re-access to be sure you have not misclassified any employees.

Source: U.S. Department of Labor



## The LA COUNTY Workforce Development Board (WDB) and the Los Angeles County Economic Development Corporation (LAEDC)

*Partnering for business.*

Welcome to our twenty-second issue of *LA County Business Connect*. Our newsletter is a service offered by the LA County WDB and the LAEDC to provide valuable tools to support and grow your business. One call, one click, can put you in touch with people who know where and how to get things done.

Just a few ways we can help:

- Resources for hiring and training employees.
- Identify incentives and resources that can save you money.
- Assist with access to financing.
- Provide existing workers with new skills to help you compete.
- Best of all, LAEDC services are **FREE!**

**Call the LAEDC today, and let us connect you to resources to help your business thrive!**

Visit [www.laedc.org/our-services/business-assistance-layoff-aversion/](http://www.laedc.org/our-services/business-assistance-layoff-aversion/) or call **888-4-LAEDC-1**

## CONNECT WITH US!

Put the LA County WDB and the LAEDC to work for you!

Call **888-4-LAEDC-1** Or visit [LAEDC.org/business-assistance](http://LAEDC.org/business-assistance)



**LOS ANGELES COUNTY**  
ECONOMIC DEVELOPMENT CORPORATION

**America's JobCenter**  
of California<sup>SM</sup>



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