

# Are You Ready...



*for some* **OT?**

**F**or many years, the hospitality industry has had the benefit of paying assistant managers an annual salary of about \$30,000 - \$40,000 (the equivalent of \$15 - \$20 per hour) while receiving 45 – 55 hours of work per week from the employee, or even more hours in some instances.

This has been the price one pays to become a department head, a GM, or to go even further in the organization. In an industry that uses a large pool of relatively unskilled labor, we have been fortunate to have access to a group of middle managers who skew young and are willing to work long hours.

### ***All of that is about to change.***

“The passage of the Fair Labor Standards Act gave most Americans the right to a minimum wage and time-and-a-half pay for more than 40 hours of work in a week. These rules apply to most hourly and salaried workers, but not to some white collar workers whose salaries and duties exempt them from the overtime pay requirement,” according to the Department of Labor. The most recent threshold for white collar exemptions was set in 2004 at \$455 per week or \$23,660 annually.<sup>1</sup> But, due to prompting from President Obama, the salary threshold for exempt employees will soon be updated.

In July 2015, the Department of Labor proposed a rule that would update and extend overtime protections for more white collar workers. Then, on May 18, 2016, the final rule was announced by President Obama and Labor Secretary Perez. According to the Department of Labor<sup>2</sup>, the rule “will automatically extend overtime pay protections to over 4 million workers within the first year of implementation.”



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**MINIMUM  
WAGE  
CHANGES  
AHEAD**

## **What Changes**

1. As of December 1, 2016, the minimum salary threshold for exempt employees will rise significantly from \$455 to \$913 per week (or \$47,476 per year). This means that a manager now making \$35,000 a year will be eligible for OT.
2. The rule<sup>3</sup> will affect Administrative, Executive, and Professional workers, and “Establishes a mechanism for automatically updating the salary and compensation levels every three years to maintain the levels at the above percentiles and to ensure that they continue to provide useful and effective tests for exemption.”

## **What it Means**

Many organizations will have to make changes to comply with the new rules. If the organization needs managers to work more than 40 hours per week, compensation levels will have to be increased to match or exceed the new minimum. Another option is to increase bonuses and commissions to exceed the new threshold. Some employees may have to be reclassified to non-exempt status. Alternatively, the organization may simply have to pay more in OT to these managers. It is also possible that middle managers will now have to punch a time clock to track hours.

Some companies will look to add more non-exempt supervisors and reduce management staff. And there is inevitably an opportunity to revisit and rethink management responsibilities and duties. How long does a manager really need to be present?

While the new rules won't take effect until Dec. 1, the smart organization has been looking at options and preparing for change. If you're already prepared for the change, send an email to [info@unifocus.com](mailto:info@unifocus.com) and tell us how your organization will handle the new rules. We may post your comments in a follow-up article.

# Author's bio

A 30-year hospitality industry veteran, Ken Heymann oversees all business operations at UniFocus. He is an expert on organizational development, change and quality management.

Ken has contributed to such industry publications as *The Cornell Hospitality Quarterly*, *The Bottom line*, *Lodging Hospitality*, and *Hospitality Technology*. He authored a chapter on *Managing Change in Leadership and Quality Management*, published by the Educational Institute of the AH&LA. He is the former chairman of the Board of Governors of the College of Merchandising, Hospitality, and Tourism at the University of North Texas and has taught at UNT as an adjunct faculty member.

<sup>1</sup>Department of Labor, "Overtime for White Collar Workers: Overview and Summary of Final Rule." <https://www.dol.gov/sites/default/files/overtime-overview.pdf>

<sup>2</sup>Federal Register (80 FR 38515)

<sup>3</sup>Department of Labor, "Final Rule: Overtime." <https://www.dol.gov/whd/overtime/final2016/index.htm>

