Millions of additional workers will soon be eligible for overtime pay thanks to the Labor Department’s new salary threshold for certain exempt employees – which raises the rate higher than initially anticipated. Employers will need to act quickly to ensure their pay practices align with this significant change. Specifically, the U.S. Department of Labor (DOL) announced today that the salary threshold for the so-called “white-collar” exemptions will rise from $35K to about $44K on July 1 ($844 a week) and will jump to nearly $59k ($1,128 a week) at the start of 2025 – which means your workers will need to earn at least this new threshold to even be considered exempt from OT pay under the white-collar exemptions. The Department says this change will impact about 4 million workers, and it could prompt big changes to your compensation plans. While we expect to see legal challenges, you can’t count on a court halting the rule before the effective dates, so you should start planning right away. What are the top 10 considerations you should make ahead of the effective date?

The threshold for the “highly compensated employee" (HCE) exemption will rise, first to $132,964 on July 1, then to $151,164 on January 1, 2025 – which is also a bigger increase than initially proposed and is a significant increase from the current $107,432. The HCE threshold will also be updated every three years.

Don’t forget that the white-collar exemptions have more requirements than just the salary threshold. To qualify for these exemptions, employees must meet three criteria:

* Be paid on a salary basis;
* Be paid at least the designated minimum weekly salary; and
* Perform certain duties.

You will have to quickly decide whether to raise their salary to meet the new threshold or convert them to non-exempt status. If you decide to convert to non-exempt, consider what you will pay them, potential overtime (1 ½ hourly rate), bonuses and other pay that must be included in the overtime rate and policies that may affect them – such as benefits.

The salary threshold will be automatically updated every three years starting on July 1, 2027.