

# WEIGHING YOUR OPTIONS



Human Resource Services

For each affected employee newly eligible for overtime pay, employers have a number of options, each of which carries risks and opportunities.

| Options   | Risks   | Opportunities  |
|---|---|--|
| <p><b>1. Increase salary to minimum level required to retain employee’s exempt status.</b></p>  | <ul style="list-style-type: none"> <li>• Could create salary compression and result in higher-than-expected costs as compensation must be realigned up the ladder.</li> </ul>   | <ul style="list-style-type: none"> <li>• Could improve morale by giving additional compensation and retention of exempt status.</li> <li>• Saves employer time by eliminating need to track, record and report hours worked.</li> </ul>  |
| <p><b>2. Pay overtime premium for overtime hours worked.</b></p>  | <ul style="list-style-type: none"> <li>• Increases costs for employers.</li> <li>• Could create liability for employer if it fails to track, record and report all hours worked.</li> <li>• Could damage morale as previously exempt positions may carry less flexibility and offer fewer benefits.</li> </ul>  | <ul style="list-style-type: none"> <li>• Could improve morale by giving additional time-and-a-half compensation.</li> <li>• Promotes concept that all employees are paid when required to spend time away from family and other nonworking pursuits.</li> </ul>                                      |
| <p><b>3. Reduce or eliminate overtime hours; hire extra workers as needed.</b></p>  | <ul style="list-style-type: none"> <li>• Could lead to loss of productivity.</li> <li>• May require training for supervisors of newly nonexempt workers.</li> <li>• Could damage morale as previously exempt positions may carry less responsibility and flexibility and offer fewer benefits.</li> <li>• Could create liability if employer bans overtime hours but employees work them anyway. (Employer still must pay the overtime, but may discipline employees.)</li> </ul> | <ul style="list-style-type: none"> <li>• Creates opportunity to reclassify jobs and retool job descriptions and responsibilities.</li> <li>• Offers chance to be more creative and resourceful in how work gets done.</li> <li>• Minimizes employer costs so part-time help can be added.</li> </ul> |
| <p><b>4. Decrease pay allocated to base salary (provided employee earns at least minimum wage) and add compensation to account for time worked in excess of a 40-hour workweek.</b></p> | <ul style="list-style-type: none"> <li>• Could create liability for employer if it fails to track, record and report all hours worked.</li> <li>• Could damage morale as previously exempt positions may carry less flexibility and offer fewer benefits.</li> </ul>  | <ul style="list-style-type: none"> <li>• Holds employer costs constant.</li> <li>• Minimizes employer costs so part-time help can be added.</li> </ul>   |
| <p><b>5. Restructure the workforce, transferring duties from newly nonexempt workers to those who have had their salaries increased to remain exempt.</b></p>                           | <ul style="list-style-type: none"> <li>• Could prompt employee concerns about equity and fairness.</li> <li>• May require training for supervisors of newly nonexempt workers.</li> </ul>   | <ul style="list-style-type: none"> <li>• Creates opportunity to reclassify jobs and retool job descriptions and responsibilities.</li> <li>• Offers chance to be more creative and resourceful in how work gets done.</li> </ul>   |

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