

No Overtime for Banquet Hall Sales Managers

1 min read

Jan 13, 2012

Sales managers for a company that owns high-end banquet halls were expected to maintain relationships with existing clients and secure new clients for custom events, such as weddings or corporate parties. Sales managers functioned as the primary client contact and were responsible for designing, coordinating and executing the event to the client's approval within the fee structure outlined by their employer. They were given a handbook that contained some sales guidelines, but the handbook did not provide prescribed techniques or "sales pitches." Also, the sales managers could neither issue discounts to clients nor sign-off on client contracts without the employer's consent. They received salaries and were not paid overtime if they worked more than 40 hours in a week. A group of former sales managers challenged this practice and sued to recover overtime under the Fair Labor Standards Act (FLSA). The employer claimed that the sales managers were not entitled to overtime because they fit within the statute's "administrative exemption." To establish that the sales managers qualified under the administrative exemption, the employer had to demonstrate that the sales managers routinely exercised "discretion and independent judgment with respect to matters of significance." The U.S. Court of Appeals for the First Circuit held that the sales managers were exempt in spite of their lack of authority to make financial and contractual decisions on behalf of their employer because their work in securing clients and creating a custom product, personalized to individual tastes and budgets, was sufficient to meet the independent discretion requirement. Regarding the handbook, the court concluded that the rules were not so numerous or specific as to restrict the judgment required to engage with clients and prospective clients. Employers are reminded that not all "sales managers" will meet the independent-discretion factor of the administrative exemption. Employers are urged to work with their counsel to review the business practices in place and the responsibilities assigned to a position to determine if the position is properly classified as exempt from the overtime requirements.

Hines v. State Room, Inc., No 10-2298 (1st Cir. Nov. 28, 2011)

Hinshaw & Culbertson LLP is a U.S.-based law firm with offices nationwide. The firm's national reputation spans the insurance industry, the financial services sector, professional services, and other highly regulated industries. Hinshaw provides holistic legal solutions—from litigation and dispute resolution,

and business advisory and transactional services, to regulatory compliance—for clients of all sizes. Visit www.hinshawlaw.com for more information and follow @Hinshaw on LinkedIn and X.

Topics

Overtime, Exemption