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Obama Administration’s Overtime Rule Invalidated

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A federal judge from Texas struck down the Obama administration’s overtime rule, finding the salary-level test set forth by the Department of Labor did not account for an analysis of an employee’s job duties for purposes of determining whether an employee is exempt from overtime pay. A copy of the court’s opinion is available here.

Section 213(a)(1) of the Fair Labor Standards Act exempts from minimum wage and overtime pay “any employee employed in a bona fide executive, administrative, or professional capacity,” also known as the “EAP” exemption. The regulations currently in effect require an employee satisfy three criteria to be exempt from overtime pay: the employee must (1) be paid on a salary basis; (2) be paid at least the minimum salary level of $23,660 annually; and (3) perform executive, administrative, or professional capacity duties. As a result of yesterday’s decision, that test will remain in effect for the foreseeable future.

Under the previous administration’s Final Rule, the minimum salary level for exempt employees increased from $23,660 to $47,476 annually. The significant increase in the minimum salary level doubled the threshold for the EAP exemption. The regulation, if implemented, would have expanded overtime pay to cover almost four million more people. The Final Rule also included an automatic updating mechanism that would adjust the minimum salary threshold every three years.

The Texas court invalidated the regulation, concluding that DOL’s minimum salary level test disregarded an analysis of an employee’s duties, functions, or tasks in determining if such employee qualified for an exemption. The Department’s Rule permitted employees who were previously exempt to qualify for overtime pay on the basis of salary alone. The Court opined that Congress did not intend the EAP exemption to exclude an analysis of whether an employee is performing duties that are executive, administrative, or professional in nature for purposes of overtime pay. Accordingly, the Court found the Department’s rule was based on an impermissible construction of Section 213(a)(1), and it had exceeded its authority by making salary the determinative factor for the overtime pay exemption.

Employers will no longer need to adjust their overtime exemption policies to accommodate the Final Rule. However, as the Employment Law Observer previously reported, the DOL issued a request for information (“RFI”) on July 27, 2017 seeking public comments on the overtime regulation. So, there may be changes to come. Hinshaw will continue to monitor developments with respect to the overtime rules. Stay tuned.

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Topics

FLSA, Overtime, Exempt Status, Exempt Employee, Fair Labor Standards Act, U.S. Department Of Labor, Final Rule, Trump Administration, Obama Administration, Salary Test, EAP Exemption