

April 6, 2016



Paychex Small Business Snapshot: 1 in 5 Business Owners Are Unaware of the DOL's Proposed Overtime Rule

ROCHESTER, N.Y.--(BUSINESS WIRE)-- The U.S. Department of Labor (DOL) is expected to finalize its proposed overtime rule in the coming months, and despite the fact that it is expected to have a significant impact on businesses, 1 in 5 business owners claim they are unaware of the rule altogether. Paychex, Inc., a leading provider of integrated human capital management solutions for payroll, HR, retirement, and insurance services, is offering five recommendations business owners should consider implementing now in order to prepare for the final rule.

This Smart News Release features multimedia. View the full release here:

<http://www.businesswire.com/news/home/20160406005233/en/>

The latest Paychex Small Business Snapshot revealed 20% of business owners are not aware of the Department of Labor's (DOL) proposed overtime rule and the potential implications on their business. (Graphic: Business Wire)

The rule, [as proposed](#), would raise the weekly salary threshold for

executive, administrative, and professional white-collar workers to qualify for exempt status under the Fair Labor Standards Act from \$455 (\$23,660 annually) to more than double the amount: \$970 (\$50,400 annually).

The latest [Paychex Small Business Snapshot](#) showed 20% of business owners are currently not aware of the DOL's proposed overtime rule and 55% said that it will have little or no impact on their business, perhaps underscoring a lack of knowledge on the potential implications of the rule, which are expected to be far reaching.

Of those owners who are aware of the rule and believe they'll be at least somewhat impacted by its implementation, 53% said it will affect staffing changes such as adjusting employee schedules. In addition, 19% said they will incur increased overtime expenses, while 17% reported the rule would lead to downsizing.

"Staying up-to-date on the ever-changing regulatory environment can be a challenge for business owners, but unfortunately failing to comply with such rules can lead to costly financial penalties," says [Martin Mucci](#), Paychex president and CEO. "For that reason, we recommend working with a trusted advisor to navigate new rules such as this."

The proposed rule, which received more than 200,000 comments during an active public comment period, will expand the number of employees who are eligible to receive overtime pay, or time and one-half their regular rate of pay for hours worked over 40 hours in a workweek.

In preparation for potential impacts the overtime rule may have, here are five workflow recommendations for business owners to consider:

1. Review and identify employees

Reviewing and confirming how employees are currently classified is the first step. Certain employees may not be impacted by the changes, but those employees currently classified as exempt from the overtime protections of the Fair Labor Standards Act pursuant to the executive, professional, and administrative white-collar exemptions need to meet the duties test for their exemption as well as the salary threshold. Work with your payroll and HR team to review your payroll and identify exempt employees with current salaries below or very close to the new proposed salary thresholds.

2. Determine which employees will transition to non-exempt status

Once you have confirmed the exempt status of employees most likely impacted by the proposed rule, you will need to decide how to proceed. Employers have two options: (1) increase the salary level to maintain exempt status, or (2) transition the employee to non-exempt status.

Employers who choose to transition employees to a non-exempt status will need to determine the basis for pay (hourly or salaried) and ensure they meet the minimum wage requirement for the number of hours the employee is expected to work. They should also consider whether overtime will be necessary and permitted. Consistency is crucial to mitigating exposure to discrimination lawsuits.

3. Update timekeeping policies

Updating recordkeeping requirements and procedures can be critical to ensure full compliance. If you have employees who will transition from exempt to non-exempt status, you will need to begin tracking all time worked for these employees, including overtime hours. Review your time-tracking methods and evaluate if there's a need for more automation. Should the new rule significantly impact the number of employees who need to track their hours worked, an alternative method of tracking, such as a time and attendance software, may better suit your needs.

It is also important to establish clear, written employee policies for recording time worked and overtime. These should include the procedure for recording time, what is considered time worked, how overtime is approved and by whom, and the potential disciplinary action for failing to follow the company's policy. This information should be distributed to all employees or published in an employee handbook.

4. Develop training procedures

Once recordkeeping and overtime policies have been updated, educate your staff on the company timekeeping and overtime approval procedures. This should be done for supervisors, managers, and newly impacted employees, and consider a refresher for current non-exempt employees to ensure the policy is consistently applied. Deliver this training as soon as possible, with supervisors performing regular audits of time records.

5. Create and execute a communication plan

The new rule on overtime pay is expected to impact a significant number of businesses this year. To combat the questions or concerns that arise, develop a communication plan for announcing the changes internally. The plan should introduce the procedures for reporting hours worked, as well as when and where you will communicate the change to supervisors, managers, and employees.

It may be best to speak first with managers and supervisors, and then to impacted employees individually. Or, discussing the changes in job classifications or time tracking procedures with the entire staff might be more appropriate. Choose the approach that best fits your business, as long as the overall message is consistent to reduce confusion and potential compliance issues in the future.

Paychex has an advanced suite of time and attendance products, including web and mobile tools, to assist businesses and employees with the scheduling, tracking, and reporting of time. The solutions from Paychex can assist companies with efforts to enforce their own policies and comply with applicable rules and regulations.

For more information on the DOL's new overtime rule, visit the [Regulatory Updates](#) section of www.paychex.com.

Note: The foregoing is provided for informational purposes only, and is not intended to be tax or legal advice. Consult your licensed attorney, accountant, or other tax professional to discuss your particular facts, circumstances, and how these opportunities might apply to your business.

About the Paychex Small Business Snapshot

Data included in the [Paychex Small Business Snapshot](#) was taken from the results of the Paychex Small Business Survey, administered by Bredin. The survey was conducted online between February 12, 2016 and February 26, 2016 and polled 318 principals of U.S. companies with less than 500 employees.

About Paychex

Paychex, Inc. (NASDAQ: PAYX) is a leading provider of integrated human capital management solutions for payroll, HR, retirement, and insurance services. By combining its innovative software-as-a-service technology and mobility platform with dedicated, personal service, Paychex empowers small- and medium-sized business owners to focus on the growth and management of their business. Backed by more than 40 years of industry expertise, Paychex serves approximately 590,000 payroll clients across 100 locations and pays one out of every 15 American private sector employees. Learn more about Paychex by visiting www.paychex.com, and stay connected on [Twitter](#) and [LinkedIn](#).

View source version on businesswire.com:

<http://www.businesswire.com/news/home/20160406005233/en/>

Media

Paychex, Inc.

Tracy Volkmann, 585-387-6705

tvolkmann@paychex.com

[@PaychexNews](#)

Source: Paychex, Inc.