

## Department of Labor's (DOL) Overtime Final Rule

### Current Law exemption from overtime requirements

Under the Fair Labor Standards Act (FLSA), unless exempt, employees covered by the Act must receive overtime pay (a rate not less than time and one-half their regular rate of pay) for hours worked over a 40-hour work week. To qualify as exempt the employee must make a salary, the salary must be more than \$35,568 annually, and their primary duty must be consistent with those common to executive, administrative, or professional positions. This threshold went into effect in 2020. The DOL is required to go through a notice and comment before updating the threshold; there is no automatic update to the salary threshold.

### What does the Department of Labor's 2024 Overtime Rule Change?

On April 23, 2024, DOL issued a final rule that would greatly expand the number of non-exempt workers subject to overtime requirements by raising the minimum salary to \$844/week or \$43,888 annually on July 1, 2024, and to \$1,128/week or \$58,656 annually on January 1, 2025. The proposal also seeks to update the highly compensated employee who customarily and regularly performs any one or more of the exempt duties or responsibilities of an executive, administrative or professional employee to \$132,964 annually on July 1, 2024, and to \$151,164 annually on January 1, 2025. Additionally, DOL states beginning July 1, 2027, and every 3 years thereafter, the agency will automatically increase the salary thresholds.

### How does the overtime rule impact NAW Members?

The rule will negatively impact the wholesale distribution industry, which typically pays higher than standard wages and invests in employee training and growth. The impact is amplified in times when the economy is vulnerable and continuing to deal with pervasive inflation and the threat of recession. Wholesaler-distributors will be forced to potentially reclassify employees, in some cases moving them from salaried positions into hourly positions, undoubtedly facing increased labor costs and disruption to business flow. The process of determining employee's classifications to see if they are eligible for the "white collar" exemption disrupts the workforce, slows training and investment in worker growth, and creates worksite tension. DOL's rule will result in reduced opportunities for employees' professional development, diminished workplace autonomy, and less flexibility. Mandating a salary threshold increase every three years creates top-down wage inflation that ignores the supply and demand of a free market labor market.

### What is NAW doing to oppose the rule?

NAW has opposed the rule since it was proposed and will exhaust all avenues, including legal recourse, to prevent the enforcement of this rule. If the rule goes into effect wholesaler-distributors will face massive cost increases at a time when the economy is still struggling with supply chain disruptions, worker shortages, and high inflation.