Evaluating Positions for the Proposed Overtime Rule

The following example outlines several considerations for evaluating positions to ensure compliance with DOL's proposed overtime rule:

- Institutions should review positions that are below the proposed salary threshold ($50,440) and determine which ones, if any, it might want to adjust to the new threshold, so that those positions can remain exempt. This exercise would be particularly useful for positions that are already fairly close to the new threshold (e.g., within a few thousand dollars).
- Institutions don't have to move any employees to the new threshold. You can leave them at their current rates, convert them to an hourly equivalent (typically the annualized salary divided by 2080), and make them FLSA non-exempt (overtime eligible). If an employee never works above 40 hours/week, this approach will not cost the institution any additional money. Work that exceeds 40 hours a week, however, would need to be compensated at time-and-a-half. The institution may also want to calculate the resulting overtime cost if all of the "switched to non-exempt" employees were to work 41 hours every week, rather than 40 (or 10 times that if the employees were to regularly work 50 hours rather than 40).
- Once it is clear which positions an institution wishes to raise to the new threshold, it should also consider the collateral impact on internal salary equity against similarly-situated positions and against positions higher up the same "job family tree."
- It would typically be important to maintain a salary differential between positions that are adjusted to the new threshold and those currently at or near the threshold, so institutions would need to consider what salary adjustments might be needed.

Example:

Development Officer I is currently paid $42,000 and Development Officer II (higher level development officer) is currently paid $51,000. The institution decides that it is important for the Development Officer I to be an exempt position, so the salary is raised to $50,440 (the new threshold). To make this change will also require a salary adjustment for the Development Officer II to acknowledge the different expectations, knowledge, and experience for the higher level position.

Simply moving the Development Officer I to the threshold would solve the immediate compliance challenge, but it would create a significant internal equity challenge, i.e. salary compression. Estimating the ripple effect of potential costs of addressing salary compression is much more complex. So using the same example, ***one*** way that an

institution could calculate an estimate would be to make subsequent adjustments of diminishing proportion (e.g., by half) at each higher position level:

Position	Current Salary	% Adjustment	New Salary	$ Difference
Development Officer I	$42,000	21.0%	$50,820	$8,820
Development Officer II	$51,000	10.5%	$56,355	$5,355
Director of Development	$65,000	5.25%	$68,413	$3,413

In addition, institutions would need to capture any marginal cost of benefits increase, such as retirement on all impacted positions. Note that the total cost to the institution could easily at least double the direct salary costs if such resulting compression issues are also addressed.