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BREAKING NEWS: DOL's New "White Collar" Overtime Rule is Placed on Hold

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Yesterday (November 22, 2016), a federal judge in Texas granted an emergency motion for preliminary injunction blocking, at least temporarily, the implementation of the Department of Labor's (DOL's) new rule which amended certain regulations to the Fair Labor Standards Act (FLSA).

The rule, which was to take effect on December 1, 2016, increased the minimum salary threshold for most exemptions (the "white collar" exemptions) to the Act's minimum wage and overtime requirements. In particular, the current salary threshold was set to more than double from $455 per week ($23,660 annually) to $913 per week ($47,476 annually). The motion for preliminary injunction was filed on behalf of 21 states and multiple business groups who are suing the DOL to block the implementation of the new overtime rule.

With the preliminary injunction in place, the court will now consider the merits of the plaintiffs' lawsuit. If the court ultimately rules in favor of the plaintiffs, the preliminary injunction would be converted to a permanent injunction, permanently enjoining the DOL from implementing the new overtime regulations. In the meantime, the DOL issued a statement indicating that it is considering its options to appeal the court's rulings.

However, in light of the recent presidential election and the imminent change in administrations, it is possible that the Trump administration will abandon those appeals, and some or all of the new overtime rule, entirely.

The news of the court's injunction comes as a relief to many employers, and affected employees, who were negatively impacted by the new overtime rules. In particular, employers were faced with difficult decisions such as reclassifying white collar employees to hourly status or otherwise cutting costs via layoffs or changes in employees' wages and/or hours. The injunction places many of those concerns on hold and allows existing white collar employees to maintain their exempt status.

While the injunction is a victory for employers who sought to avoid the negative impacts mentioned above, for those employers who have spent the last several months preparing for the new DOL overtime rule, the timing of the court's injunction also presents new challenges.

Although the rule will no longer go into effect on December 1, 2016, many employers have already implemented changes in employees' pay, and they must now decide whether or not to maintain those changes. In addition to costs, employers should take into account the impact of any additional changes on labor relations, morale, and operations. If additional changes to pay or employee classifications are going to be made, employers also should exercise caution to maintain compliance with applicable state and federal wage and hour laws. Prior to any change in employees' rate of pay, employees must be given notice of the change. Pay changes should not occur in the middle of a pay period.

Ultimately, how you react to the court's injunction will likely vary depending on the steps you took to prepare for the new overtime rule.

If you have any questions or would like to discuss the best approach for your business, please contact your attorney from Knox Law's Labor and Employment Group.

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