
Department of Labor Overtime Rule Blocked

Employers have been preparing for the December 1, 2016, effective date of the Department of Labor's new overtime rule which would require certain employees to be paid a minimum of \$913 per week (\$47,476 annually) to qualify as exempt from the overtime requirements of the Fair Labor Standards Act.

In September, two separate groups of plaintiffs (a group of states and a group of private sector organizations) sued the Department of Labor (DOL) to challenge the rule, and the states sought an emergency injunction to block the rule from going into effect. On November 22, a federal district court judge in Texas granted the emergency injunction to stop the new rule from taking effect. The Court ruled that the DOL has authority to define which employees meet the duties tests under the Fair Labor Standards Act's executive, administrative and professional exemptions, but that authority does not extend to setting a minimum salary standard. The Court determined that because the rule set a minimum salary level, the rule is unlawful and barred the DOL from implementing or enforcing the rule.

The ruling states that the temporary injunction barring the implementation of the rule is nationwide because the rule was to apply in all states and irreparable injury would occur nationwide were the rule to go into effect.

While it was only the state plaintiffs (not the private sector plaintiffs) who sought the emergency injunction, it appears from the decision that the injunction blocking the rule applies to both private and public sector employers. It is important to note that the injunction is preliminary only; it is not a final ruling on the validity of the DOL rule. The judge's opinion states that with the quickly approaching effective date, issuing the injunction will allow the court to render a more meaningful decision on the validity of the rule. We will keep you apprised of further developments in this matter.

We recognize that this decision will be a welcome reprieve for many employers, as well as a source of frustration for those who have worked through and communicated or implemented pay changes in order to comply with the new rule. For now, employers should assess whether they will move ahead with any exemption and pay changes they had planned to implement (or reverse changes already made) or if they will put things on hold pending further developments in this area.

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