



Preparing for FLSA changes: 6 steps to help HR lead the way

*Expert advice on how HR departments can
prepare their higher education institutions
for upcoming overtime rule changes*

PeopleAdmin



With new Fair Labor Standards Act (FLSA) regulations taking effect in December, colleges and universities can successfully mitigate the impact those changes will have financially and on employee morale ... if they prepare now.

And much of the planning, communication and guidance around implementing the new rules falls to human resources.

“We, as HR practitioners, need to be communicating and educating those populations and individuals who may be impacted,” said **Ricardo Coronado, Ph.D., associate vice chancellor for human resources** at Tarrant County College in Fort Worth, Texas. “Having a plan during the fall — September, October and November — is going to be important.”

To help you successfully guide your institution through this challenge, we talked to higher education talent management experts who address how to prepare for the FLSA changes ahead in six easy steps.

1. Research the law

Those who are not yet aware that the minimum salary requirement for exempt employees will raise from \$23,660 to

\$47,476 on Dec. 1, 2016, and that this requirement will be revisited every three years, should start with the basics and study the new FLSA regulations.

Familiarity with the changes, however, isn't enough, added Ricardo, of Tarrant County College in Fort Worth. HR professionals in higher education “need to go back and reread some of the requirements, such as 17A of the Department of Labor factsheets. They may have read them in the past, but they need to go back and read the fine print,” he said.

His concern is that the law has remained unchanged for so long that HR professionals may not be as familiar with the duties test as they should be. “Over the years, you get comfortable,” Ricardo said.

Edward Wilson Jr., Ph.D., director of strategic partnerships at PeopleAdmin and former director of academic affairs at the University of Kansas Medical Center in Kansas City, Kansas also believes that institutions should conduct their own research before reacting to the new rules.

“I think the first step is really studying the updated law,” Edward said. “Once you know the facts, think about how FLSA changes will impact your institutional culture and finances. Preparation is the foundation of your strategy.”

2. Assess your institution

To understand how significantly FLSA changes will affect your institution, review current compensation data.

“The first thing we’re doing is assessing how many employees the change is going to affect and identifying those employees,” said **Sara Pohl, assistant director for compensation and benefits** at Blinn College in Brenham, Texas. “Then we’re meeting with the supervisors to go over those job descriptions to make sure they are accurate to what the employees are doing. That will play a major part in decisions we make going forward.”

To get started, run a compensation report to determine how many employees are currently earning a salary between \$23,660 and \$47,476. Talent management solutions with analytics features — such as SelectSuite by PeopleAdmin — can help you do this.

Then, work with managers to review those employees’ position descriptions to determine whether the description is accurate to the role and if the employees’ job duties qualify for the exemption.

“It’s important that institutions run their position descriptions through the FLSA

testing based on their duties, even though the primary duties haven’t changed,” said **Heather Murray, customer advancement executive** at PeopleAdmin and former associate director of human resources at Gonzaga University in Spokane, Washington. “It’s just a good opportunity to refresh and hit the pause button.”

Assessing your college or university well in advance of the Dec. 1 deadline will help ensure nothing is overlooked and is particularly important at large institutions.

“We’re running hundreds of reports and looking at thousands of job descriptions,” said **David Perryman, assistant director for talent solutions** at North Carolina State University in Raleigh, North Carolina. “It’s a tremendous evaluation of our workforce and our processes.”

3. Forecast the impact

If you’re lucky, FLSA won’t present a major challenge. “You have some institutions where maybe their salaries are close enough to this newer threshold that, financially, it doesn’t come across as a significant burden to move them up and increase their salary,” Heather said.



“The one thing that can’t be lost on HR professionals is the fact that overtime is a controllable expense,” Heather said. “If you’re not in a position to pay overtime, then don’t let your employees work more than 40 hours. Otherwise, you’re going to pay one way or another, and the last thing you want to be is an employer who gets fined when audited.”

Unfortunately, this won’t be the case for most institutions.

“I don’t think universities are prepared to just go across the board and pay everyone,” Edward said. He advises HR leaders to take the time to prepare a change management program to lead their institutions through this transition.

Ricardo agreed. “You need to review the financial impact,” he said. “For most institutions, it’s going to be significant.”

The impact Ricardo refers to can have a ripple effect throughout an institution.

“You have to look at salary compression and the domino effect before you raise any category of job salaries,” Heather said. “Even if at the end of the day you’re only changing 20 jobs, you have to do the full analysis before you change those 20 jobs in your payroll system.”

The new rules will also impact productivity, as many employees that move from exempt to nonexempt status will have to work fewer hours if colleges and universities wish to avoid overtime payments.

“Overall institutional productivity may decline,” Edward said. “Because now, there’s a mechanism that puts parameters around how much certain individuals can work.”

Edward adds that managers who oversee those individuals may also see a drop in productivity. “You have managers who have never kept track of their employees’ exact hours worked. There’s going to be a reduction in their productivity as some of their time is diverted to closely monitoring the nonexempt employees and their hours worked.”

4. Create your strategy

Once you’re armed with all the information you need, it’s time to start making decisions. For instance, will you allow your employees to collect overtime pay?

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Unfortunately, avoiding overtime may not always be an option. “We know that during certain peak times, each department is going to be very busy,” Sara said.

For the times when overtime pay is unavoidable, institutions should begin preparing now.



“It’s a good idea to start establishing a pool of overtime funds — something you can add to incrementally over a number of different fiscal years,” Heather said. “And I suggest creating a personnel action request form for overtime that employees need to submit proactively before they are given permission to work overtime hours.”

Automated tools, such as SelectSuite Records, can help your institution streamline an overtime request and approval process like the one Heather suggests.

Heather also recommends that you act proactively to prepare your college or university for an audit.

“Job descriptions are what determine whether or not the Department of Labor would deem a position exempt from overtime earnings, so that’s what the auditors are going to look at,” Heather said. “The bottom line: Having a warehouse of job descriptions, as well as the ability to report on it, will make the audit process far easier.”

The right talent management solution, such as SelectSuite Position Management, will provide that warehouse of job descriptions, allowing you to prove compliance quickly and easily.

You also need to decide how your institution will handle employees’ use of cellphones and email during the evenings and weekends. For nonexempt employees, these activities count as work and should be documented.

“The use of emails and cellphones with nonexempt employees has certainly been a topic of discussion for us,” Sara said. “We haven’t made a firm decision, yet, but it’s on our radar.”

Even if your institution doesn’t implement a formal policy, you need to take some kind of action. “It can be as simple as setting expectations,” Edward said.

5. Train your managers

While the new FLSA regulation won’t affect most hiring managers’ salaries, it will impact their day-to-day work because they will be expected to now manage schedules. Make sure managers are trained and prepared to handle this new responsibility.

“We plan to spend a lot of time training our supervisors,” Sara said. “We need to educate them about what the new rules mean and how to manage their employees’ daily duties in order to minimize the overtime cost.”





David, with North Carolina State University, agreed. “Supervisors will have to be more accountable, as far as keeping track of time and managing schedules. The training that goes into this behind the scenes is going to be a challenge.”

Part of that challenge is training managers to handle their new responsibilities “compassionately,” Heather said. “They have to be shown how to manage these things they aren’t used to managing, and they need to know how to do that in a way that doesn’t come across as either condescending or micromanaging.”

6. Communicate with your staff

The single most important part of FLSA preparation is communication. This rule affects many people on a personal and financial level ... which means conversations must be handled delicately.

All five of our experts agreed that one of the biggest issues to overcome is the perceived loss of status.

“There’s a belief that needs to be dispelled from a cultural perspective so employees don’t feel like they’ve just been demoted,” Heather said.

And according to Edward, “A lot of the issues will be perception-based because exemption is a status symbol.”

So what’s the best way to handle conversations surrounding this issue? With education and honesty.

“I think a lot of it is going to boil down to being honest and clear in communication and having people understand why the change is happening — that it’s not personal,” David said. “It’s simply a national change that we have to do.”

Ricardo also stressed the importance of honesty. “Just be honest and truthful. People respect that more than anything else.”

Additionally, developing a timely, strategic approach to communication is important, as is tailoring your communications to the various audiences that will receive them. Doing these two things well will go a long way toward a successful implementation of the new rules.

Sara said Blinn College’s communications will be “specialized to pretty much each department.”

North Carolina State University, on the other hand, is tailoring its communications based on title. “We’re basically setting

up a communication plan to talk to the highest level of people at the university all the way down to the people on the ground doing the work on a daily basis," David said. "It's a tremendous communication effort in reaching everyone."

Both strategies can be effective, as long as you empower managers to have meaningful conversations with their direct reports.

"It's important that you give all parties involved the ability to have tactical conversations and do it in a way that maintains the dignity of the incumbents in those jobs," Heather said. "Then, you're not allowing your morale to go into the tank, and you're not compromising your culture."

Ricardo also recognizes that individual conversations will play an important role in the transition.

"Employees are going to have questions that we need to answer, and we can prepare for that by communicating in different ways," Ricardo said. "Q&As, town hall meetings, talking to supervisors. It's a lot of education. We really need to work at being ahead of it."

Want more help?

Contact us to learn how PeopleAdmin solutions can help you simplify the administrative burdens of FLSA by streamlining processes related to position descriptions, personnel action forms, and more at www.peopleadmin.com.

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