

## Quick Survey on Proposed FLSA Changes

September 2015

### Introduction and Methodology

Under the United States Fair Labor Standards Act of 1938 (FLSA), employees must be provided overtime pay unless they qualify for exemption under Section 541 of the FLSA.

Currently under Section 541, an employee qualifies as exempt if he/she is paid a salary of no less than \$455 per week (\$23,660 annually) and satisfies a primary duties test.

The U.S. Department of Labor (DOL) has proposed changes to FLSA regulations that would set the salary threshold for exemption at the 40<sup>th</sup> percentile of weekly earning for full-time workers in the United States for the prior year. Based on data from the U.S. Bureau of Labor Statistics (BLS), the estimated salary threshold for 2016 is expected to be \$970 per week, or \$50,440 annually.

The proposal also includes a new salary threshold for “highly compensated employees” (HCEs) and a new mechanism for raising the salary thresholds on an automatic basis each year.

A quick look at proposed changes:

	Current	Proposed
<b>Minimum Salary to Qualify for FLSA Exemption</b>		
Full-time salaried workers	\$455 per week, \$23,660 annually	40 <sup>th</sup> percentile of weekly earning of full-time salaried workers (2016 threshold estimated to be \$970 per week, \$50,440 annually)
HCEs	\$455 per week, \$100,000 annually	90 <sup>th</sup> percentile of annual earnings of full-time salaried workers (2016 threshold estimated to be \$122,148)
<b>Automatic Updates to Salary Thresholds for Exemption</b>		
Full-time salaried workers and HCEs	No automatic updates to salary thresholds	Establish a mechanism for an automatic update of salary thresholds each year

This report summarizes a snapshot survey conducted by WorldatWork to gather information about the potential impact of the DOL’s proposed changes.

On July 17, 2015, survey invitations were sent electronically to 9,681 WorldatWork members. Respondents selected for participation were compensation and HR generalists in the United States. The survey closed on July 27, 2015, with 1,455 responses, a 15% response rate. The dataset was cleaned, resulting in a final dataset of 1,443 responses.

The demographics of the survey sample and the respondents are similar to the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America.

The frequencies or response distributions listed in the report show the number of times or percentage of times a value appears in a data set. Due to rounding, frequencies of data responses provided in this survey may not total 100%.

#### **About WorldatWork® – The Total Rewards Association**

WorldatWork ([www.worldatwork.org](http://www.worldatwork.org)) is a nonprofit human resources association for professionals and organizations focused on compensation, benefits, work-life effectiveness and total rewards – strategies to attract, motivate and retain an engaged and productive workforce. WorldatWork and its affiliates provide comprehensive education, certification, research, advocacy and community, enhancing careers of professionals and, ultimately, achieving better results for the organizations they serve. WorldatWork has more than 65,000 members and subscribers worldwide; 80 percent of Fortune 500 companies employ a WorldatWork member. Founded in 1955, WorldatWork is affiliated with more than 70 local human resources associations and has offices in Scottsdale, Ariz., and Washington, D.C.

WorldatWork Society of Certified Professionals® is the certifying body for six prestigious designations: the Certified Compensation Professional® (CCP®), Certified Benefits Professional® (CBP), Global Remuneration Professional (GRP®), Work-Life Certified Professional® (WLCP®), Certified Sales Compensation Professional (CSCP)™ and Certified Executive Compensation Professional (CECP)™.

The WorldatWork group of registered marks also includes: Alliance for Work-Life Progress or AWLP, *workspan* and *WorldatWork Journal*.

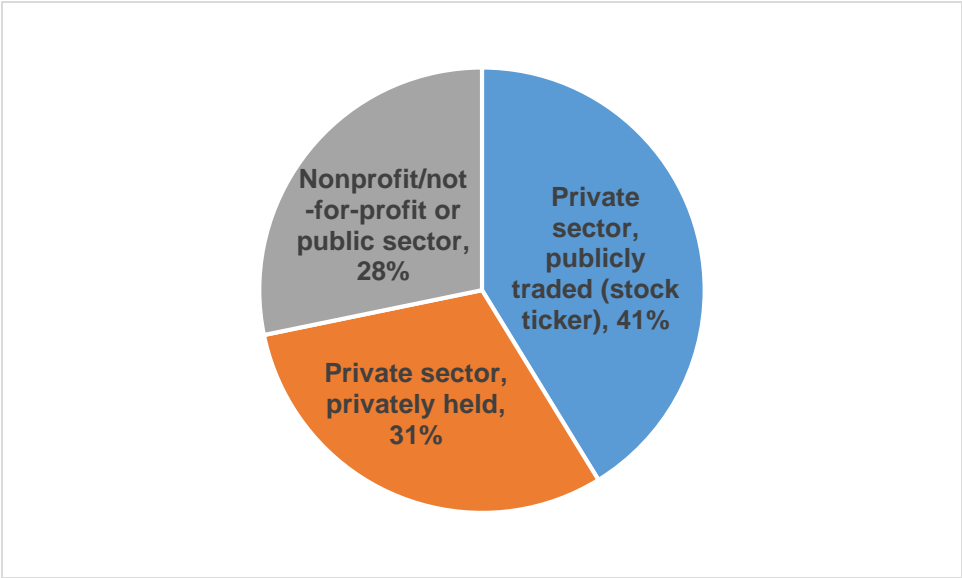
---

©2015 WorldatWork Any laws, regulations or other legal requirements noted in this publication are, to the best of the publisher's knowledge, accurate and current as of this report's publishing date. WorldatWork is providing this information with the understanding that WorldatWork is not engaged, directly or by implication, in rendering legal, accounting or other related professional services. You are urged to consult with an attorney, accountant or other qualified professional concerning your own specific situation and any questions that you may have related to that.

No portion of this publication may be reproduced in any form without express written permission from WorldatWork.

# Demographics

**Figure 1:** “Your organization is:” (n=1130)



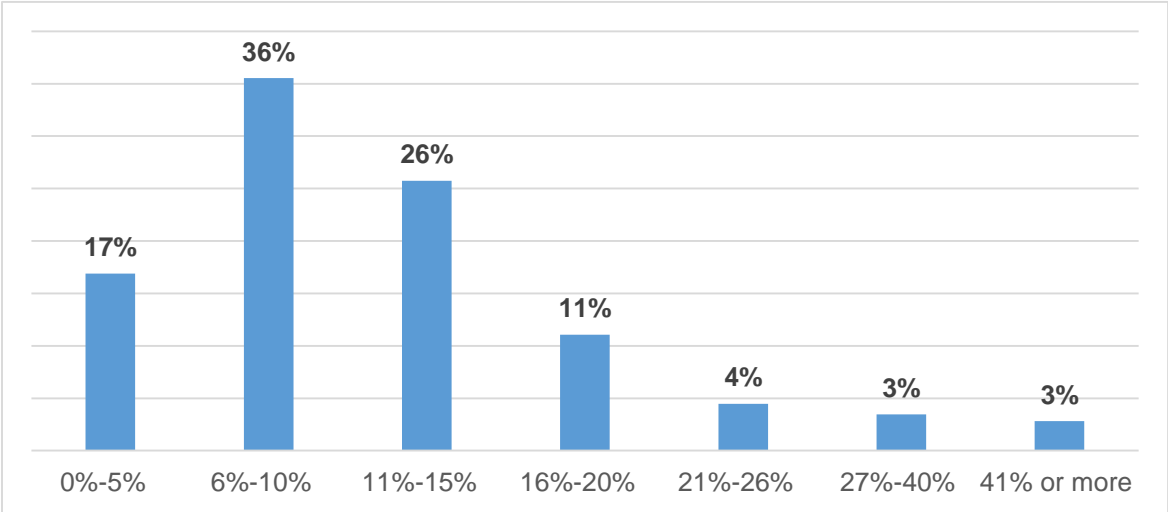
**Figure 2:** “Please choose the total number of full-time employees (FTEs) your organization employs worldwide:” (n=1131)

Option	Percentage
Fewer than 100 employees	5%
100 to 499	11%
500 to 999	10%
1,000 to 2,499	17%
2,500 to 4,999	16%
5,000 to 9,999	14%
10,000 to 19,999	13%
20,000 to 39,999	8%
40,000 to 99,999	5%
100,000 or more employees	3%

**Figure 3<sup>1</sup>:** “Please choose one category that best describes the industry in which your organization operates:” (n=1129)

Option	Percentage
Finance and Insurance	15%
All Other Manufacturing	13%
Health Care and Social Assistance	12%
Consulting, Professional, Scientific and Technical Services	9%
Educational Services	6%
Information (includes Publishing, IT, etc.)	5%
Utilities, Oil and Gas	5%
Public Administration	4%
Retail Trade	4%
Accommodations and Food Services	2%
Computer and Electronic Manufacturing	2%
Other Services (except Public Administration)	2%
Pharmaceuticals	2%
Transportation	2%
Wholesale Trade	2%
Other	10%

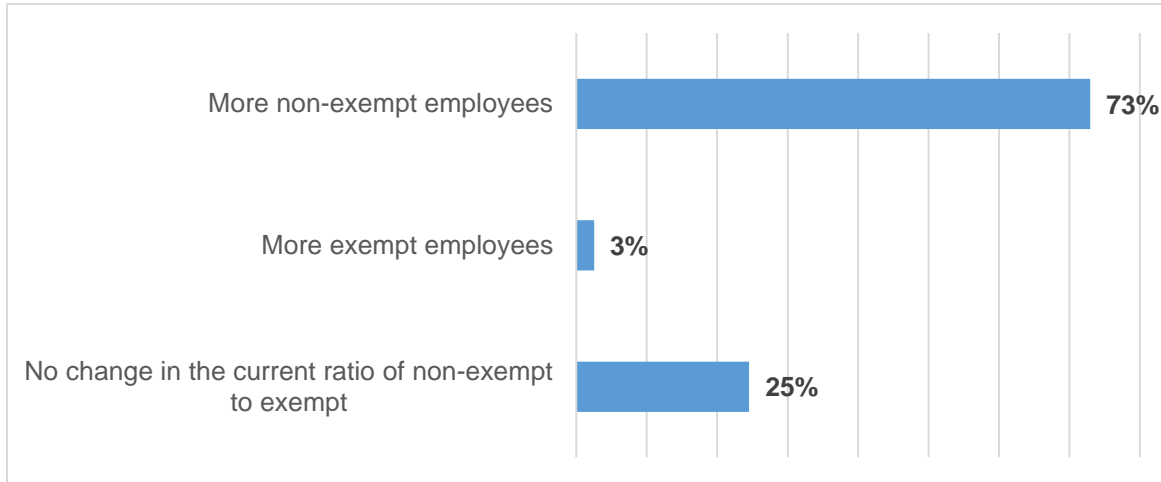
**Figure 4:** “What is the approximate annual voluntary turnover for employees?” (n=1095)



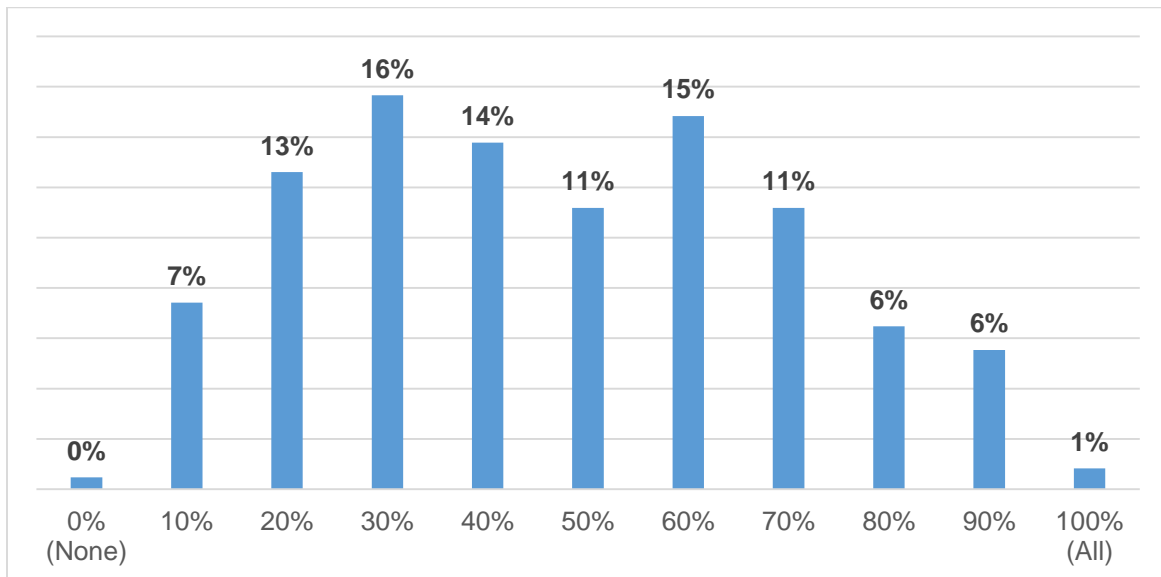
<sup>1</sup> Industries with less than 2% are not listed in the table.

## Detailed Survey Results

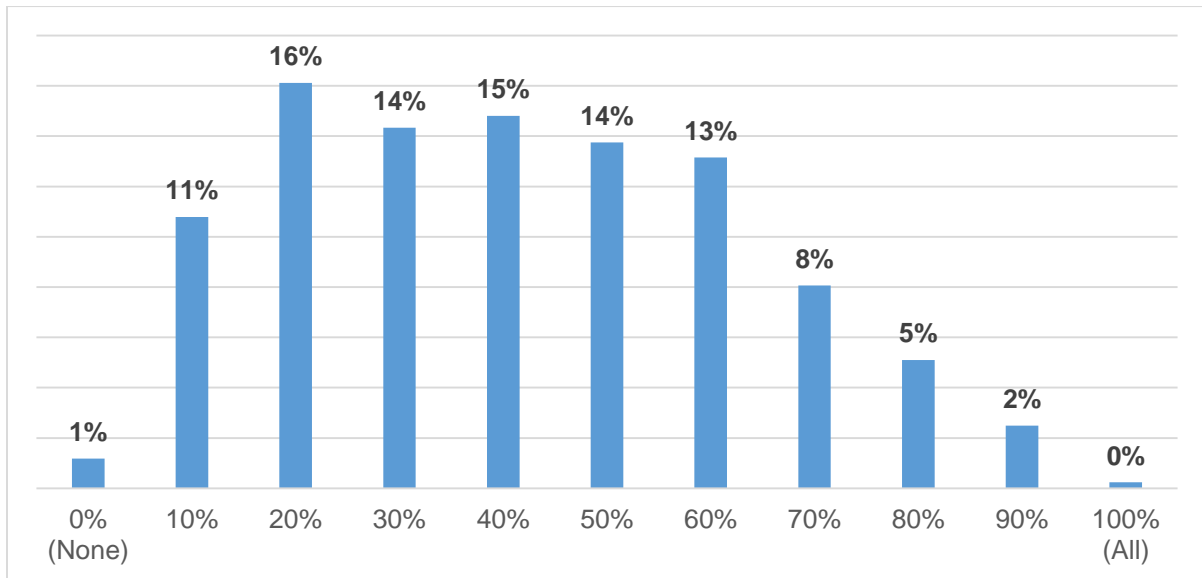
**Figure 5:** “What do you believe will be the net effect on your overall workforce after your organization has fully implemented the new regulations as currently proposed?” (n=1439)



**Figure 6:** “What portion of your organization’s U.S. jobs are currently exempt from FLSA requirements?” (n=849)



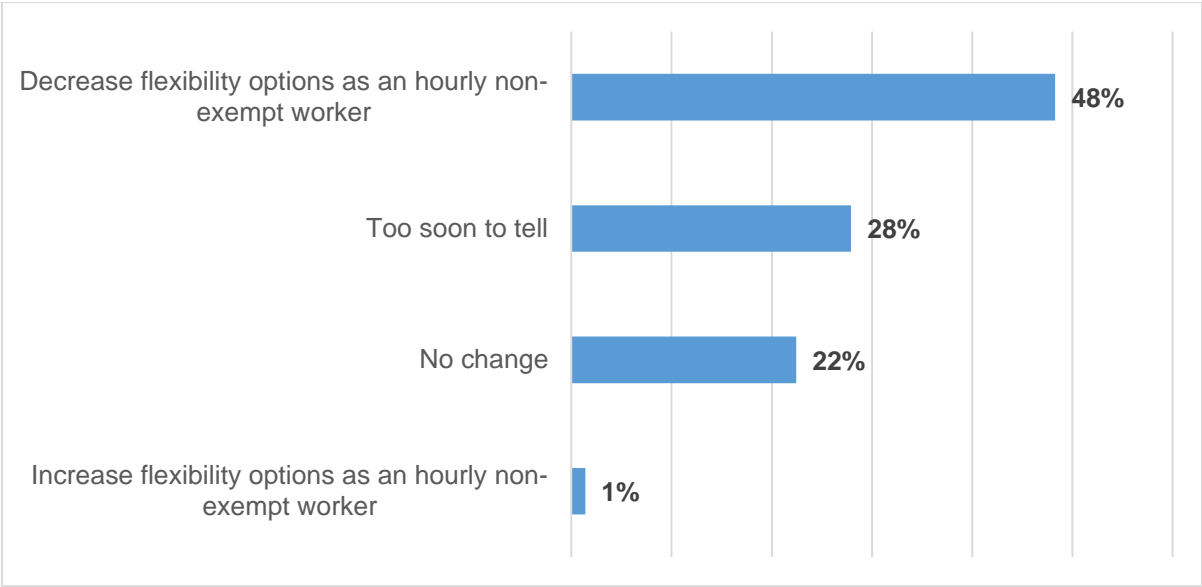
**Figure 7:** “If the FLSA changes were implemented as proposed, estimate the portion of your organization’s U.S. jobs that would be exempt from FLSA requirements:” (n=844)



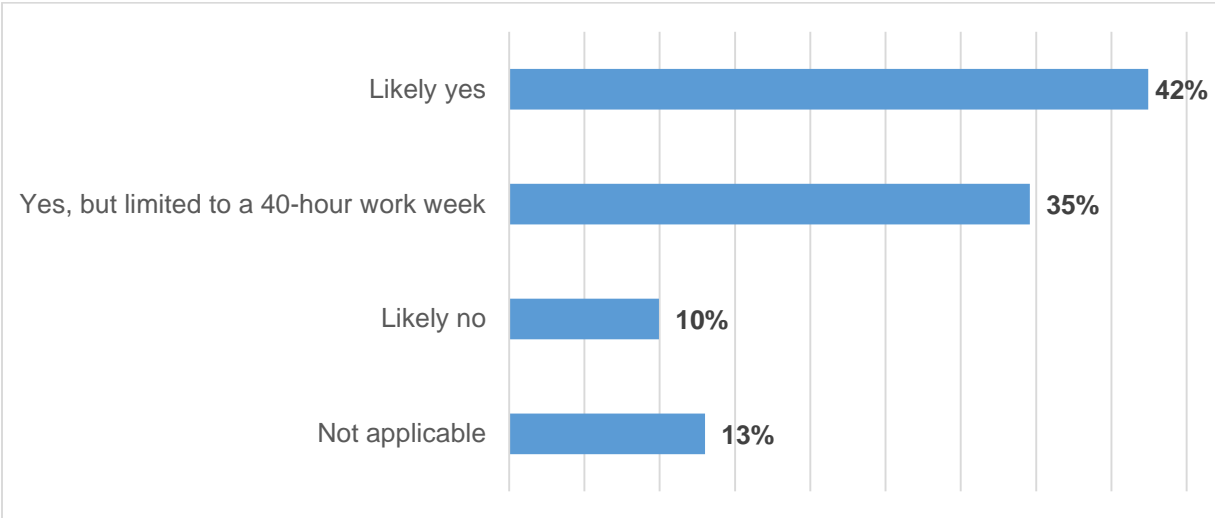
**Figure 8:** Change in estimated level of exempt employees after proposed regulations. (One level is equivalent to ~10% change.) (n=848)

	Percent Change
Decrease by 4 levels	2%
Decrease by 3 levels	3%
Decrease by 2 levels	10%
Decrease by 1 level	42%
No change	25%
Increase by 1 level	14%
Increase by 2 levels	3%
Increase by 3 levels	1%

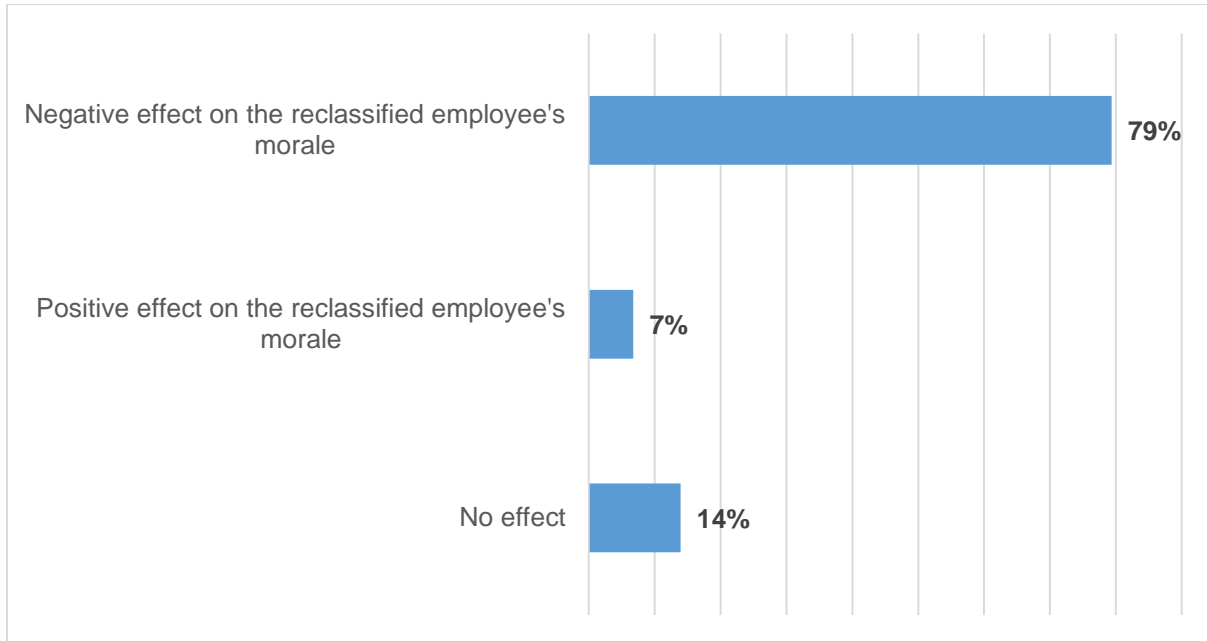
**Figure 9:** “If an employee is reclassified from exempt to non-exempt, would this change the workplace flexibility options available to them at your organization?” (n=1150)



**Figure 10:** “If a current front-line supervisor is reclassified from exempt to non-exempt, would he/she still be able to maintain his/her managerial responsibilities as a front-line supervisor?” (n=1145)



**Figure 11:** “For employees who would likely be reclassified from exempt to non-exempt under the proposed rules, how do you think this change will affect morale?” (n=1144)



**Figure 12:** “What is your opinion of the proposed minimum salary threshold to determine the line of demarcation between exempt and non-exempt employees?”

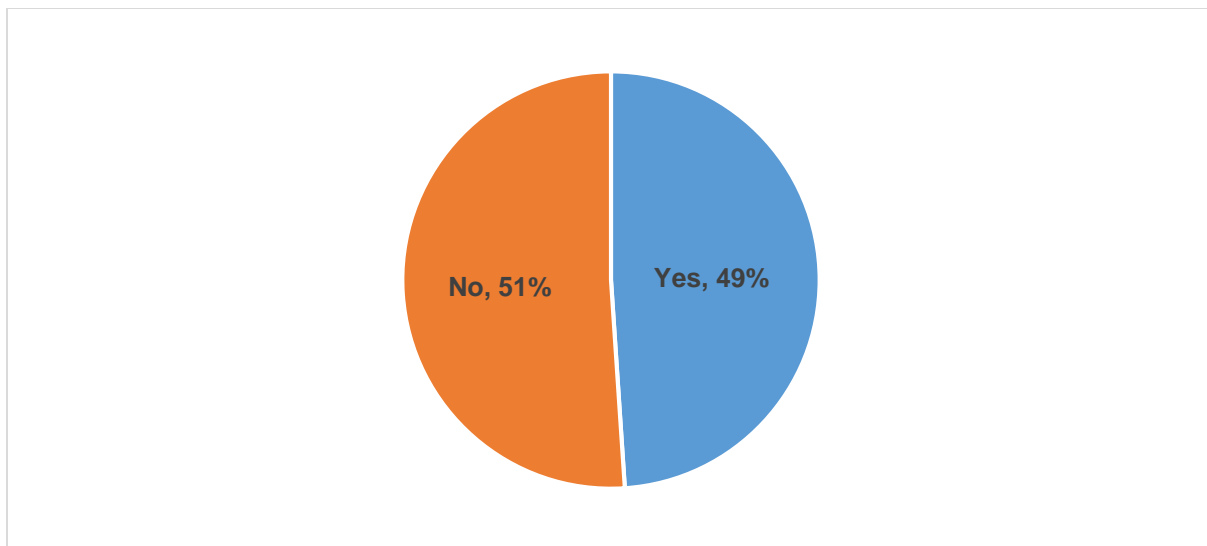
	For Full-Time Salaried Employees 40 <sup>th</sup> percentile of weekly earnings for full-time salaried employees is:	For HCEs 90 <sup>th</sup> percentile of annual earnings for full-time salaried employees is:
n=	1030	1012
Too high	65%	28%
Too low	4%	12%
About right	32%	63%



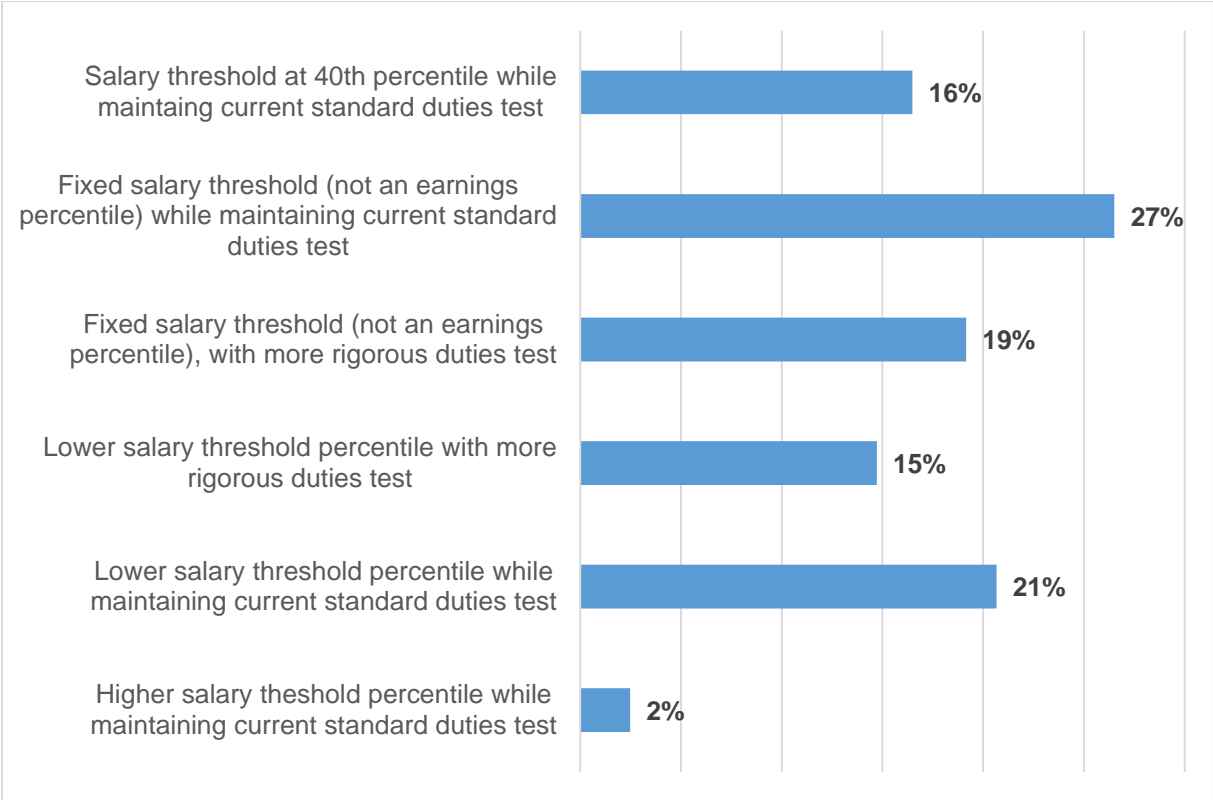
**Figure 13:** “The DOL proposed to automatically update the standard salary level annually, either by maintaining the levels at a fixed percentile of earnings, or by updating the amounts based on changes in the CPI-U (Consumer Price Index for All Urban Consumers). What is a proper index to adjust the salary threshold on an annual basis going forward?”

	For Full-Time Salaried Employees:	For HCEs:
n=	893	864
Fixed percentile (40 <sup>th</sup> percentile for full-time salaried employees and 90 <sup>th</sup> percentile for highly compensated employees)	22%	28%
Other fixed percentile, please specify	9%	4%
CPI-U index	18%	17%
Other index, please specify	4%	5%
I don't recommend an automatic update by any index	51%	50%

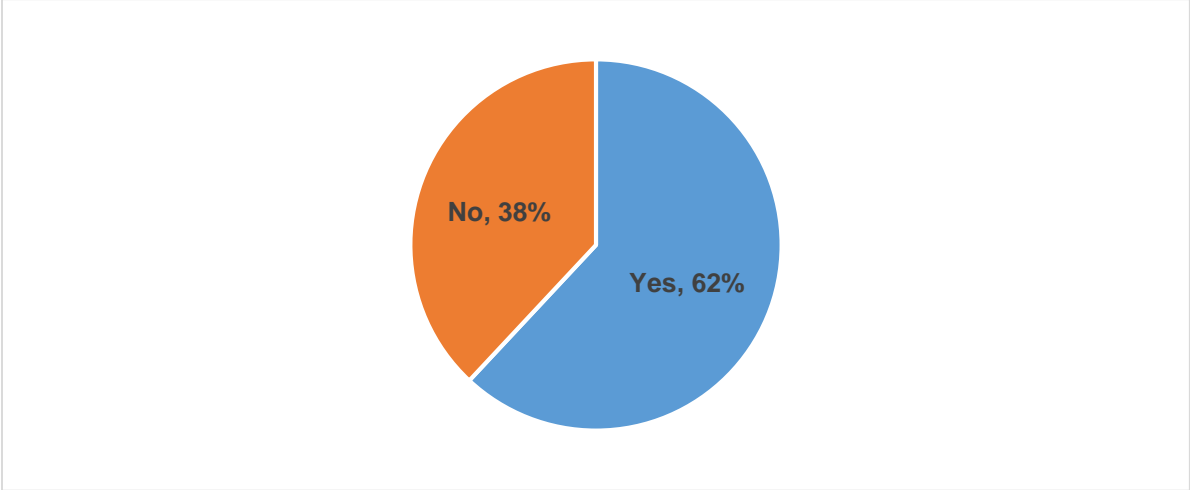
**Figure 14:** “The proposed changes do not include a change in the criteria for the current primary duties test to determine if an employee is a bona fide executive, administrative or professional employee. The DOL believes that if the standard salary threshold were significantly below the 40<sup>th</sup> percentile earning threshold for full-time salaried workers, or if there was no procedure to automatically update the salary level, a more rigorous duties test should be required. Do you agree?” (n=1134)



**Figure 15:** “Given all the options, which of these would you recommend the DOL require to properly distinguish between exempt employees (including executive, administrative and professional and non-exempt employees)?” (n=1128)



**Figure 16:** “The DOL is considering whether nondiscretionary bonuses and incentive payments should count toward a portion of the standard salary level test for the executive, administrative and professional exemptions. Does your organization currently offer nondiscretionary incentive bonuses tied to productivity and/or profitability?” (n=1141)



*Respondents were also asked about the most workable test for their organizations to administer if a more rigorous duties test were required. Unfortunately, variations in how the question and answer options were interpreted have invalidated the results. We are unable to report those findings.*

## Participating Organizations

AAM	AtlantiCare Regional Medical Center	Board of Collier County Government
ABM Industries	Auburn University	Bob Evans Farms
ACCO Brands	Aurora Health Care	BOSH Global Services
Ace Hardware Corp.	Austin College	Boston College
ACI	AutoNation	Bremer Financial
ACST	AutoZone Inc.	Brigham Young University
Acushnet Co.	Avery Dennison	Bright House Networks
ADT	Avis Budget Group	Brinker International
Advocate Health Care	Babcock & Wilcox	Brookdale Senior Living
AIPSO	Babson College	Bruegger's
Airbus Helicopters Inc.	Ball Aerospace & Technologies Corp.	Bucknell University
Albertina Kerr Centers	Bank of the West	Burrell Communications Group
Alkermes	Bar-S Foods	Cabot Microelectronics Corp.
Allianz Global Assistance	Barclaycard	Caleres Inc.
Allied Building Stores Inc.	Barrick Gold of North America	California Casualty Management Co.
Allstate Insurance Co.	Barry Callebaut	Cancer Treatment Centers of America
Alzheimer's Association	BASF	Canon Business Process Services
AMC Networks	Baxalta Inc.	Canon Solutions America
American Academy of Neurology	Baxter	Canon USA
American Association of Community Colleges	BayCare Health System	Canon Virginia Inc.
American Cancer Society	Baylor University	Cape Cod Healthcare Inc.
American College of Chest Physicians	BB&T	CareerBuilder
American Systems	BCBSNC	Carlson Rezidor Hotel Group
Amerisure Mutual Insurance Co.	Beacon Mutual Insurance	Carpenter Technology Corp.
Ameritas Life Insurance Corp.	BestCo	Carter's
Andersen Corp.	BI Inc.	Cash America International
ANSYS Inc.	Bill Barrett Corp.	Catholic Medical Center
Anthem Inc.	BJ's Wholesale Club Inc.	CDM Smith Inc.
Aon	Blue Cross Blue Shield of Rhode Island	CEI Engineering Associates
AORN Inc.	Blue Cross Blue Shield of Kansas	Central Arizona Project
Applied Research Associates Inc.	Blue Cross Blue Shield of Arizona	CGI
Arapahoe County Government	Blue Cross Blue Shield of Michigan	Charter Communications
ARCADIS US Inc.	Blue Cross of Idaho	Chicago Board Options Exchange
Argonne National Laboratory	Blue Cross Blue Shield of South Carolina	Chico's FAS Inc.
Arizona Superior Court in Maricopa County	Blue Cross Blue Shield of Tennessee	Chipotle Mexican Grill
Armstrong World Industries	BMC Software	CHRISTUS Health
Ascensus Inc.	BMO Harris Bank	Church's Chicken
ASM Research	BMW Manufacturing Co. LLC	CIT Trucks
Aspen Technology		Citizens Property Insurance Corp.
Associated Bank		City & County of Denver
Asurion		City of Chattanooga, Tenn.
		City of Columbia, Mo.

City of Columbus, Ohio	DENSO Manufacturing of Michigan	First Command Financial Services
City of Garland, Texas	Department of Defense	FirstGroup America Inc.
City of Greenville, South Carolina	Dewberry	Fiskars Brands Inc.
City of Houston	Digi International	FlightSafety International
City of Hutchinson, Kan.	DJO Global	FMC Corp.
City of Loveland, Colo.	Dollar Tree	Follett Corp.
City of Phoenix	Doosan Infracore	Ford Motor Co.
City of Seattle	Draeger	G6 Hospitality LLC
City of Suffolk, Va.	Draper Laboratory	GECNO
Cleveland Clinic	Driscolls	Gemological Institute of America
CMU Medical Education Partners	DTE Energy	General Motors
CNA Insurance	Dunkin' Brands	Genpact
CNI	E.A. Sween Co.	Genuine Parts Co.
Commerce Bancshares Inc.	Eastern Kentucky University	Georgia Tech
Community Alliance	Eastern Michigan University	Gilead
Community Coffee Co. LLC	Eaton	Glanbia Performance Nutrition
Community Health Plan of Washington	Eby-Brown	Glazer's
CONCANNON MILLER & CO.	Eisai Inc.	Glu Mobile Inc.
ConnectiCare Capital LLC	Electro Scientific Industries Inc.	GM Financial
Connecticut Children's Medical Center	EmblemHealth	Godiva Chocolatier Inc.
Constant Contact	Emory Healthcare	Golden Rain Foundation
CopperPoint Mutual Insurance	Employers Resource Association	Grady Management Inc.
COPT	Energy Northwest	Grande Cheese Co.
CoreLink Administrative Solutions	Enterprise Products	Grant Thornton
CoreLogic	Equity Systems Inc.	Great-West Financial
Corizon Health	ESP LLC	GreenStone Farm Credit Services
County of Allegany, Md.	Evenflo Company Inc.	Greenville Health System
CPMG/KP	Evolent Health	Greyhound Lines Inc.
Craft Brew Alliance	Exactech Inc.	Group Health Cooperative of South Central Wisconsin
Crawford and Co.	Excellus BCBS	Hach
CRP Industries Inc.	Experian	Halcon Resources
CSC	Express	Hancock Holding Co.
CST Brands Inc.	Express Scripts	Handgards Inc.
CURTISS-WRIGHT	Extended Stay America	HarbisonWalker International
Dallas Fort Worth Hospital Council	FairPoint Communications Inc.	Hawaii Employers Council
DayNine Consulting	Fallon Health	HDR Inc.
DCI	Fannie Mae	Hendry County, Fla.
De Bellis Partners	Fashion Institute of Technology	Hennepin Healthcare System
Dealertrack Technologies	FDIC	Henry Ford Health System
Dean Foods	Federated Mutual Insurance Companies	Henry Schein Inc.
Delaware North	Feeding America	Herbalife
Delhaize America	Fender Musical Instruments Corp.	Heritage Behavioral Health Center Inc.
Delta Dental of California	Ferguson Enterprises Inc.	Hill Holliday
Delta Dental of WA	Ferrellgas	Hillman Group
	First Advantage Corp.	HMSHost Corp.
		Hollister Inc.

Honda of South Carolina	Johnson Outdoors Inc.	Media General
Horry County Government	Jordan Valley Water Conservancy	Medxcel
Hoshizaki America Inc.	District	Mercury Insurance
Houghton International	JT3 LLC	Mercy Health
Houston Methodist	Just Born Inc.	Merit Medical Systems
HRL Laboratories, LLC	Kansas City Life Insurance Co.	Merrill Corp.
HubSpot	Katherine Shaw Bethea Hospital	Metropolitan Transit Authority of
Hunter Douglas Inc. Window	Kellogg Co.	Harris County, Texas
Fashions Division	Kettering University	MGIC
Huron Consulting Group	Kinder Morgan	MGM Resorts International
Hyatt Hotels Corp.	Kloeckner Metals	Microsoft Corp.
Hydranautics	Kronos Inc.	MidwayUSA
ICF International	L-3 Communications	Missouri Department of
ICUS	Lahey Health	Transportation
IDEX Corp.	Laird	Missouri State University
IDEXX Laboratories	Lake Associates Inc.	MSA Safety Inc.
IEEE	Lakeland Health Care	MTS Systems
IKEA	Land O'Lakes	MultiPlan Inc.
IM Flash Technologies LLC	LANXESS	Mutual of Omaha
IMERYS	Lawrence Berkeley Laboratory	NAMSA
IMI Precision Engineering	Lehigh Valley Health Network	National Academies of Sciences,
Indiana Regional Medical Center	Lennox International Inc.	Engineering, & Medicine
Infinity	Leprino Foods Co.	National Pen Co.
Infinity FCU	Level 3 Communications	National Penn
Ingersoll Rand	Lexicon Pharmaceuticals Inc.	Nationwide
Innovative Compensation and	LexisNexis Risk Solutions	Nautilus Inc.
Benefit Concepts LLC	LG&E and KU	NAVICENT HEALTH
Insights	Lifetime Brands Inc.	Navigant
Insperty	Lincoln Financial Group	Nestle Purina PetCare Co.
Institute for Defense Analyses	Louisiana-Pacific Corp.	NetJets
Integra	Lower Colorado River Authority	New Mexico State Personnel
Intel	LVMH Inc.	Office
Inter-Coastal Electronics Inc.	M Financial Group	NextEra Energy
Interactive Intelligence	M&T Bank	NJM Insurance Group
International Rescue Committee	MAA	NMGC
Intrawest Resort Holdings Inc.	Magellan Midstream Partners	Noodles & Co.
ITC Holdings Corp.	Magnolia River	Nordson Corp.
ITT Educational Services Inc.	Manhattan Associates Inc.	Norquist Salvage Corp.
Ixia	MAPFRE Insurance	North Shore LIJ Health System
J. J. Keller & Associates Inc.	Maricopa Integrated Health	Northern Arizona University
Jack in the Box Inc.	System	Northern Virginia Electric
Jarden	MarketPay	Cooperative
JDSU	MARTA	NorthShore University Health
Jefferson Lab	Masonite International	System
JJB Hilliard, WL Lyons LLC	Matrix Service Co.	North Idaho College
JM Family	Matthews, Young & Associates	NOVA Chemicals
Jo-Ann Stores, LLC	Inc.	Novozymes North America
Johnson Controls	Mead & Hunt Inc.	NuStar Energy

NW Natural	Public Broadcasting Service	SSR
NW Permanente LLC	Public Service Enterprise Group	Stage Stores
OCI Enterprises Inc.	QBE	StanCorp Financial Group
Oklahoma Gas & Electric	QBE North America	StandardAero
Olympus Corporation of the Americas	QBP	Stantec
Omaha Public Power District	Quad Graphics	State of North Carolina
ON Semiconductor	Quantum	State of Washington
Oncor Electric Delivery	Radiant Global Logistics	STIHL Inc.
Oregon Health & Science	Randstad	Stillwater Mining
University	Razorfish LLC	Strategic Pay Resources
Orrick, Herrington & Sutcliffe LLP	Reading Health System	SunGard
Orscheln Industries	Red Robin	Sunovion Pharmaceuticals Inc.
OSI Group, LLC	Regal Beloit Corp.	Sutter Health
OSRAM SYLVANIA	Resources Inc.	Swedish Match
Otterbein Senior Lifestyle Choices	Revlon	SWIFT
PAE	Rhode Island School of Design	Symantec
Palmetto Health Corporate	Rich Products Corp.	Symetra
Parsons Corp.	Ricoh-USA	Talisman Energy USA Inc.
PATH	Robertshaw	TD Ameritrade
Paycor	Rockwell Collins	TE Connectivity
Payless ShoeSource Inc.	Roka Bioscience Inc.	Teacher Retirement System of Texas
PCM Inc.	Rosetta Stone	Tech Data Corp.
Pegasystems	RR Donnelley	Texas Children's
Pekin Insurance	Rubino Consulting Services	Texas Tech University Health Sciences Center
Penguin Random House	Ryan	The Andersons Inc.
Petco Animal Supplies	SAIC	The Auto Club Group
Pfandler	Saint Mary's Hospital	The E. W. Scripps Co.
PFSweb	Salem Health	The Foushée Group Inc.
PGI	Sandy Spring Bank	The Lubrizol Corp.
Pharmavite	Satellite Healthcare	The Madison Square Garden Co.
Piedmont Natural Gas Company Inc.	Savannah River Nuclear Solutions LLC	The Marcus Corp.
Pinnacle Foods	Schneider Electric	The Maschhoffs
PNM Resources Inc.	Schreiber Foods Inc.	The Pasha Group
Pomona Valley Hospital Medical Center	Searles Valley Minerals	The Rockefeller Group
Port of Seattle	Shale-Inland	The Schwan Food Co.
PPD	Shield Air Solutions	The Scripps Research Institute
PPL Corp.	Shriners Hospitals for Children International HQ	The University of Alabama at Birmingham
PrimeSource	SimpliVity Corp.	The University of Puget Sound
PRM Consulting Group	SMSC Gaming Enterprise	The University of Texas Health Science Center San Antonio
ProAssurance	Snapchat Inc.	The Urban Institute
Progress	Sonora Quest Laboratories	The Villages of Indiana Inc.
Project HOPE	Southeastern Freight Lines	The Walt Disney Co.
ProQuest LLC	Southern Co.	The Warranty Group
Protective Life Corp.	Spectrum Health	The Yankee Candle Co.
PTC	Sports Authority	
	SRI International	

The YMCA of Greater Rochester	University of Maine System	VWR International
Thomas Jefferson Health	University of Michigan	Wallace Montgomery
Thrivent Financial	University of Minnesota	Walt Disney Parks & Resorts
Tinker Federal Credit Union	Physicians	Waste Management
TJX	University of Notre Dame	Weill Cornell Medical College
Toyota Boshoku America	University of Pennsylvania	Wellesley College
Toyota Motor Sales USA Inc.	University of Pennsylvania Health	Wellness for Life Medical LLC
TransUnion	System	Whirlpool Corp.
Tribune Publishing Co.	University of Pittsburgh	Whitney Smith Co.
TriZetto	University of Richmond	Wiley
TTCU The Credit Union	University of St. Thomas	Williams-Sonoma Inc.
Tulane University	University of Washington	Willis
U.S. Cellular	USAA	Wood Group Mustang
UIL Holdings Corp.	UTC Aerospace Systems	WR Grace
ULTA Beauty	Vail Resorts	Wright State University
UMass Memorial Health Care	Vail Valley Medical Center	Wyoming Machinery Co.
Umicore USA Inc.	Vanderbilt University Medical	Xavier University
Unify	Center	YKK Corp. of America
Unisys	Vector Security	Young Life
United Services Automobile	Vectren Corp.	ZF North America Inc.
Association	Veolia North America	Zoetis
UnityPoint Health	Vertafore	Zurich Inc.
Universal Technical Institute	Virtua Health	
University of Dayton	Voya Financial	