

# Overtime Rule: Raise Salaries or Reclassify Employees?

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David Barron was quoted in a SHRM article discussing the impact of a new rule, which will raise the salary threshold for overtime compensation. As of July 1, employees earning less than \$43,888 annually must receive overtime pay, with the minimum salary increasing to \$58,656 starting January 1, 2025.

Employers must consider the economic impact of reclassifying employees based on how close their pay is to the new threshold. They should also consider morale implications and strategically communicate plans for reclassification with the employee experience in mind. David noted that most nonexempt workers are paid hourly rather than salaried. Therefore, allowing employees to retain a salary while reclassifying them as nonexempt may prevent morale concerns, such as viewing the shift as a demotion.

Regardless of how nonexempt employees are paid, employers must track hours for overtime pay. To prepare for the first increased salary threshold, employers should consider training newly reclassified employees and their managers on the potential impact on their work environment.

To read more, [click here](#). (subscription required)

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