



# JUNE 2024 HR BRIEF

## DOL Announces Final Overtime Rule Increasing Salary Levels for White-collar Employees

Recently, the U.S. Department of Labor (DOL) [announced](#) a final rule to amend current requirements employees in white-collar occupations must satisfy to qualify for an overtime exemption under the Fair Labor Standards Act (FLSA). The [final rule](#) will take effect on **July 1, 2024**.

### Increased Salary Level

The FLSA white-collar exemptions apply to individuals in executive, administrative, professional (EAP), and some outside sales and computer-related occupations. Some highly compensated employees (HCEs) may also qualify for the FLSA white-collar overtime exemption. To qualify, white-collar employees must satisfy the standard salary level test, among other criteria.

Starting **July 1, 2024**, the DOL's final rule increases the salary level from:

- \$684 to \$844 per week (\$35,568 to \$43,888 per year) for EAPs; and

- \$107,432 to \$132,964 per year for HCEs

On **Jan. 1, 2025**, the salary level will then increase from:

- \$844 to \$1,128 per week (\$43,888 to \$58,656 per year) for EAPs; and
- \$132,964 to \$151,164 per year for HCEs

The DOL's final rule also includes mechanisms allowing the agency to automatically update the white-collar salary level thresholds without having to rely on the rulemaking process. Effective **July 1, 2027**, and every three years thereafter, the DOL will increase the standard salary level by applying up-to-date wage data to determine new salary levels.

### Impact on Employers

The first salary level increase in July is expected to impact nearly 1 million workers, while the second increase in January is expected to affect approximately 3 million workers. Employers should become familiar with the final rule and evaluate what changes they may need to adopt to comply with the rule's requirements. Legal challenges to the rule are anticipated, which may delay its implementation.

## FTC Announces Rule Banning Noncompetes

Recently, the Federal Trade Commission (FTC) voted to issue a [final rule](#) that would ban noncompete agreements in virtually all employment relationships.

The final rule is scheduled to take effect 120 days after being filed in the Federal Register.

### Final Rule

The final rule defines a noncompete clause as a term or condition of employment (such terms or conditions include employee contracts or workplace policies, whether written or oral) that prohibits a worker from, penalizes a worker for or functions to prevent a worker from:

- Seeking or accepting work in the United States with a different person where such work would begin after the conclusion of the employment that includes the term or condition
- Operating a business in the United States after the conclusion of the employment that includes the term or condition

Subject to very limited exceptions, the final rule provides that the use of any

existing noncompete clauses (other than those entered into with senior executives) will be invalidated as of the rule's effective date.

Employers must notify all employees (other than senior executives whose existing noncompete agreements will remain enforceable) that their existing noncompete agreements will not be enforced.

### Legal Challenges

The U.S. Chamber of Commerce filed a lawsuit seeking to block the final rule. Additional legal challenges are likely, so employers should monitor for updates and anticipate potential uncertainty in the coming months.

### Next Steps for Employers

Employers may consider reviewing existing employee agreements or form agreements (such as new-hire paperwork) to determine whether they contain noncompete clauses that would be invalidated under the rule. Contact us today for more resources.