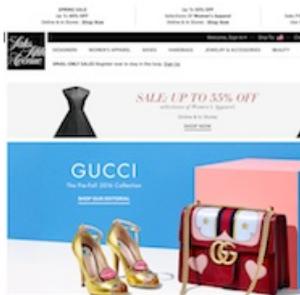


COLUMNS

New federal overtime rules will burden luxury brands, retailers and agencies

May 23, 2016



Saks is one of the leading U.S. department store chains, employing thousands of personnel across channels

By **Rania V. Sedhom**

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Although the overtime rules have been engrained in us, they were complicated enough to still leave us with several questions about which salaried individuals are eligible for overtime pay and what types of positions were exempt from overtime rules all together.

As a brief primer, prior to the change announced this month by the Obama Administration, the rules were as follows: If an eligible employee worked for more than 40 hours per week, he or she is to be paid 1.5x the amount of their straight-time or regular hourly pay. Exempt jobs had to meet a salary and duties test.

While the basic premise of the United States overtime law has not changed, its administration is going to change effective Dec. 1, and these new rules will be particularly onerous for luxury marketers and retailers.

Pay threshold goes up

The salary threshold is going to increase by more than 100 percent in December.

Currently, the minimum salary threshold is \$23,600 (or \$455 per week), but beginning on Dec. 1, it will more than double to \$47,476 (or \$913 per week). And the highly compensated employee (overtime exempt professionals) salary threshold increases by more than 30 percent from \$100,000 to \$134,004.

To add to the compliance strain, the salary threshold is going to increase every three years.

For example, in 2020, it will rise from \$47,476 to \$51,000. The duties test has not changed. What does this mean?

Jobs now coming to mind that will be immediately affected are those of personal shoppers or stylists, marketing managers, internal bloggers and social media directors, customer relations specialists and, for bricks-and-mortar luxury, counter managers, store managers and, again, VIP shopper liaisons.

These jobs, among others, are critical to the success of the luxury brand or public relations and marketing firms supporting them.

To make matters more complicated, these jobs are difficult to curtail through a mandatory eight-hour-only workday.

Moreover, several of these jobs take place off-site, whether escorting clients to various ateliers or working remotely from home so that your brand is always available to your top clients.

To add insult to injury, these new rules will change the reality of the workplace for many luxury industry professionals who have worked their way up the ranks to enjoy workplace flexibility and other benefits.



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In reviewing the rules, there are a few actions luxury brands and marketers can take. However, it will be difficult to create a compromise that both employer and employee can enjoy, or at least live with.

Next steps to take

If you are an employer in the luxury fashion or marketing space, you should take these immediate steps:

1. Determine which employees are affected by the new rules
2. Identify the attendant positions those individuals hold
3. Identify how the new rules affect employee benefits for those individuals
4. Determine whether you prefer and the author uses this term very loosely to:
 - a. Reclassify former exempt employees as hourly and either pay overtime or limit hours worked
 - b. Preclude or greatly limit flexible work arrangements such as working from home when not absolutely necessary
 - c. Increase employee pay above the new threshold, and continue to increase pay as the threshold increases every three years
 - d. Do nothing and simply pay overtime pay to those who qualify
 - e. Limit working hours to 40 and hire additional personnel to work "off hours" as those hours are defined by your company
 - f. Some combination of the above
5. Create a corporate communication regarding your new pay compliance plan
6. Train managers and supervisors on the new rules, particularly if your current overtime policy involves requesting written permission to work more than 40 hours in any week.

THE NEW RULES are creating a new normal that is likely to cause great upset.

With only a little more than six months to comply, the time to begin your new pay strategy is now.

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1 thought on “New federal overtime rules will burden luxury brands, retailers and agencies”

1. Pat Warnock says:

May 23, 2016 at 1:47 pm

Henry Ford paid his assembly line workers enough so they could afford what they were making.
Is the luxury goods industry that smart?