

ARE YOU READY?

WASHINGTON SALARY THRESHOLD CHANGES

NANCY KASMAR, MS, SPHR, CCP, SHRM-SCP
SOUTH PUGET SOUND CHAPTER OF SHRM
OCTOBER 15, 2020

© 2020 Compensation Connections, LLC

1

1

Why Are We Here?



Washington State Department of
Labor & Industries

© 2020 Compensation Connections, LLC

2

2

WA 2021 Salary Threshold


1 - 50 Employees = \$42,712
51+ Employees = \$49,831

© 2020 Compensation Connections, LLC

3

3

Coming Soon



© 2020 Compensation Connections, LLC

4

4

Now... And Soon

1–50: \$675

→

\$821.40

51+: \$675

→

\$958.30

© 2020 Compensation Connections, LLC

5

5

2021 – 2028 Schedule



When the rule takes effect		July 1, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027	Jan. 1, 2028
For employers with 1-50 employees	Multiply minimum wage by ...	1.25x	1.5x	1.75x	1.75x	2x	2x	2.25x	2.25x	2.5x
	Projected salary threshold Weekly (Annual)	\$675 (\$35,100)	\$821.40 (\$42,712)	\$975* (\$50,700)	\$987* (\$51,324)	\$1,137* (\$59,124)	\$1,152* (\$59,904)	\$1,308* (\$68,016)	\$1,334* (\$69,368)	\$1,512* (\$78,624)
For employers with 51 or more employees	Multiply minimum wage by ...	1.25x	1.75x	1.75x	2x	2x	2.25x	2.25x	2.5x	2.5x
	Projected salary threshold Weekly (Annual)	\$675 (\$35,100)	\$958.30 (\$49,831)	\$975* (\$50,700)	\$1,128* (\$58,656)	\$1,137* (\$59,124)	\$1,296* (\$67,392)	\$1,308* (\$68,016)	\$1,482* (\$77,064)	\$1,512* (\$78,624)

© 2020 Compensation Connections, LLC

6

6

I'm Ready! Let's Go!



© 2020 Compensation Connections, LLC

7

7

Historically Speaking

© 2020 Compensation Connections, LLC

8

8

Washington State Minimum Wage Act

Minimum Wage Act Protections (Chapter 49.46 RCW)

Includes:

- Minimum Wage: from \$9.47/hour in 2016 to \$13.50/hour in 2020
- Overtime (time and a half) for hours worked over 40 per week
- Tips and service charges
- Paid sick leave
- Applies to most employees unless specifically exempt
- Beginning in 2021, annual increases will be based on the federal CPI-W

© 2020 Compensation Connections, LLC

9

9

Exempt Salary Threshold Details

© 2020 Compensation Connections, LLC

10

10

2020: Federal Salary Basis Test

\$684 / week

\$35,568 / year

© 2020 Compensation Connections, LLC

11

11

2021 Salary Threshold

1 - 50 Employees = \$42,712

51+ Employees = \$49,831

© 2020 Compensation Connections, LLC

12

12

Changes To Duties Tests

Changes to Washington State Duties Test From Federal:

Creative professional and learned professional are included in the same rule

Teachers must be compensated on a salary or fee basis but there is no salary threshold

Computer professionals must be compensated at 2.75x / 3.5 x WA Minimum Wage (starting 1/1/2021)

Sales employees must be compensated on a guaranteed salary, commission or fee basis

No exemption for highly compensated employees

© 2020 Compensation Connections, LLC

13

13

2021: Highly Compensated Employees

WA: Not Applicable

US: \$107,432 / year

© 2020 Compensation Connections, LLC

14

14

Hourly Computer Professionals

Employer Size	July 1, 2020	January 1, 2021	January 1, 2022
1-50 employees	No change (Stays at \$27.63/hour)	2.75x minimum wage (\$37.65/hour)	3.5x minimum wage (\$48.59/hour*)
Annualized	\$57,470	\$78,312	\$101,067*
51+ employees	2.75x (\$37.13/hour)	3.5x (\$47.92/hour)	3.5x (\$48.59/hour*)
Annualized	\$77,230	\$99,673	\$101,067*

*Estimate based on a similar Minimum Wage increase as from 2020 to 2021.

© 2020 Compensation Connections, LLC

15

15

Impact of These Changes

© 2020 Compensation Connections, LLC

16

16

Overall Effect

- Applies to ALL Washington State employers
- Many jobs will be re-classified as non-exempt
- Manager duties may move up a level
- Fewer exempt positions
- Less opportunity for promotion
- Estimated 259,000 workers OT eligible by 2028

© 2020 Compensation Connections, LLC

17

17

Impact on Your Organization?

© 2020 Compensation Connections, LLC

18

18

Where To Start



© 2020 Compensation Connections, LLC

19

19

Who's (Still) Exempt?

- ✓ Make a list of currently exempt jobs
- ✓ Review each job description in the list
- ✓ Identify changes to the job duties since the last review
- ✓ When was the last legal review of FLSA classification?

© 2020 Compensation Connections, LLC

20

20

About Those Job Descriptions

- ✓ Do they manage other employees?
- ✓ People managers – what % of their time?
- ✓ People managers – change in job duties?
- ✓ Revise job descriptions that need it

© 2020 Compensation Connections, LLC

21

21

About That List

Jobs Paid Less Than The Threshold:

- ✓ Identify employees who work more than 40 hrs/week
- ✓ Determine how many additional hours (and how often)
- ✓ Calculate the potential cost of overtime
- ✓ Who will work those hours if they don't?
- ✓ Can you decrease the amount of overtime in the future?
How?

© 2020 Compensation Connections, LLC

22

22

Formula For Calculations

Calculate For Each Employee:

1. Salary ÷ 52 weeks per year = weekly pay

2. Weekly pay ÷ total hours = regular rate (approx.)

3. (Regular rate x 2,080) + (Regular rate x 1.5 x OT hours per week x 52 weeks) =


Employee Annual Pay If Non-Exempt

© 2020 Compensation Connections, LLC

23

23

What If You Had A Calculator?



Compensation Connections has created a salary threshold calculator for you to use

© 2020 Compensation Connections, LLC

24

24

Example Pay Calculations

Employee	Current Salary	2021 FLSA Status	Chosen Cost	Pay Change
Tilda	\$36,000	Exempt at Threshold	\$42,712	\$6,712
Jez	\$36,500	Exempt at Threshold	\$42,712	\$6,212
Anna	\$38,000	Exempt at Threshold	\$42,712	\$4,712
Ada	\$36,000	Exempt at Threshold	\$42,712	\$6,712
Indiana	\$41,000	Exempt at Threshold	\$42,712	\$1,712
Lyam	\$36,000	Exempt at Threshold	\$42,712	\$6,712
Gabriel	\$38,000	Exempt at Threshold	\$42,712	\$4,712
Johanna	\$41,000	Exempt at Threshold	\$42,712	\$1,712
Usko	\$40,000	Exempt at Threshold	\$42,712	\$2,712
Dinesh	\$39,500	Exempt at Threshold	\$42,712	\$3,212

25

Example Pay Calculations

Employee	Current Salary	2021 FLSA Status	Chosen Cost	Pay Change
Tilda	\$36,000	Non-Exempt with OT	\$38,000	\$2,000
Jez	\$36,500	Non-Exempt with OT	\$38,528	\$2,028
Anna	\$38,000	Non-Exempt with OT	\$40,111	\$2,111
Ada	\$36,000	Non-Exempt with OT	\$38,000	\$2,000
Indiana	\$41,000	Non-Exempt with OT	\$44,237	\$3,237
Lyam	\$36,000	Non-Exempt with OT	\$38,000	\$2,000
Gabriel	\$38,000	Non-Exempt with OT	\$40,111	\$2,111
Johanna	\$41,000	Non-Exempt with OT	\$44,237	\$3,237
Usko	\$40,000	Non-Exempt with OT	\$43,158	\$3,158
Dinesh	\$39,500	Non-Exempt with OT	\$42,618	\$3,118

26

Example Pay Calculations

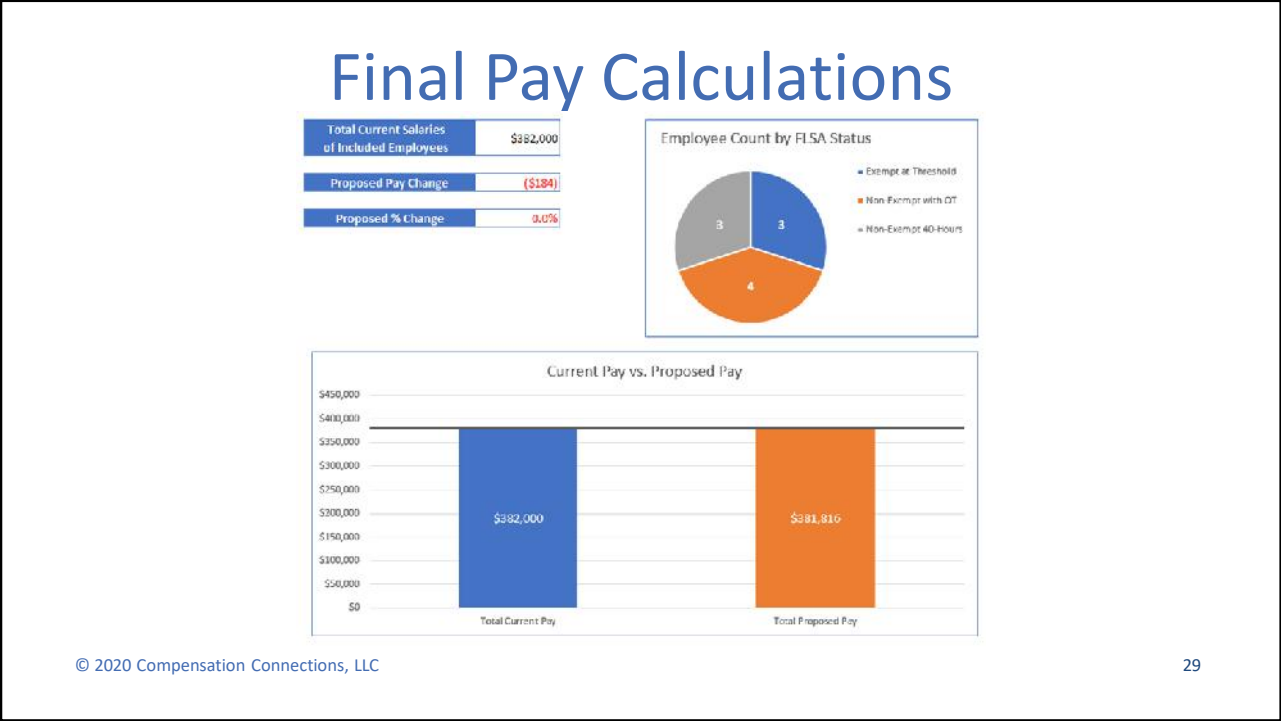
Employee	Current Salary	2021 FLSA Status	Chosen Cost	Pay Change
Tilda	\$36,000	Non-Exempt 40-hours	\$32,000	(\$4,000)
Jez	\$36,500	Non-Exempt 40-hours	\$32,444	(\$4,056)
Anna	\$38,000	Non-Exempt 40-hours	\$33,778	(\$4,222)
Ada	\$36,000	Non-Exempt 40-hours	\$32,000	(\$4,000)
Indiana	\$41,000	Non-Exempt 40-hours	\$34,526	(\$6,474)
Lyam	\$36,000	Non-Exempt 40-hours	\$32,000	(\$4,000)
Gabriel	\$38,000	Non-Exempt 40-hours	\$33,778	(\$4,222)
Johanna	\$41,000	Non-Exempt 40-hours	\$34,526	(\$6,474)
Usko	\$40,000	Non-Exempt 40-hours	\$33,684	(\$6,316)
Dinesh	\$39,500	Non-Exempt 40-hours	\$33,263	(\$6,237)

27

Final Pay Calculations

Employee	Current Salary	2021 FLSA Status	Chosen Cost	Pay Change
Tilda	\$36,000	Non-Exempt with OT	\$38,000	\$2,000
Jez	\$36,500	Non-Exempt with OT	\$38,528	\$2,028
Anna	\$38,000	Non-Exempt with OT	\$40,111	\$2,111
Ada	\$36,000	Non-Exempt with OT	\$38,000	\$2,000
Indiana	\$41,000	Exempt at Threshold	\$42,712	\$1,712
Lyam	\$36,000	Non-Exempt 40-hours	\$32,000	(\$4,000)
Gabriel	\$38,000	Non-Exempt 40-hours	\$33,778	(\$4,222)
Johanna	\$41,000	Exempt at Threshold	\$42,712	\$1,712
Usko	\$40,000	Exempt at Threshold	\$42,712	\$2,712
Dinesh	\$39,500	Non-Exempt 40-hours	\$33,263	(\$6,237)

28



29

More Decisions

- ✓ Which employees can be reclassified to hourly?
- ✓ How will reclassified employees track hours?
- ✓ How will you control overtime hours?
- ✓ How to manage overtime hours worked by newly reclassified employees?
- ✓ Should you hire more people? If so, which jobs/when/for how many hours?
- ✓ What policies should be added or revised?

© 2020 Compensation Connections, LLC

30

30

Run The Numbers

- ✓ Calculate the Non-Exempt cost for each employee on your list
- ✓ Reclassify jobs as Non-Exempt if needed
- ✓ Calculate the cost to hire additional people
- ✓ Check that all employees and jobs have been completed
- ✓ Calculate the salary budget increase

© 2020 Compensation Connections, LLC

31

31

Ready, Set, GO

- ✓ Make decisions on compliance strategy
- ✓ Develop your communication plan
- ✓ Decide on a start date for any changes
- ✓ Meet with managers to answer their questions
- ✓ Meet with employees to answer their questions

© 2020 Compensation Connections, LLC

32

32

Quick Reference List

1. Make a list of the affected jobs

2. Complete necessary revisions to job duties

3. Review job duties and salary threshold against regulations

4. Determine which jobs and staff will be affected

5. Complete calculations for all employees in reclassified jobs

6. Determine number and cost of new hires

7. Assess the overall impact on the salary budget

8. Make final decisions on compliance strategies

9. Develop a communication plan and tell everyone

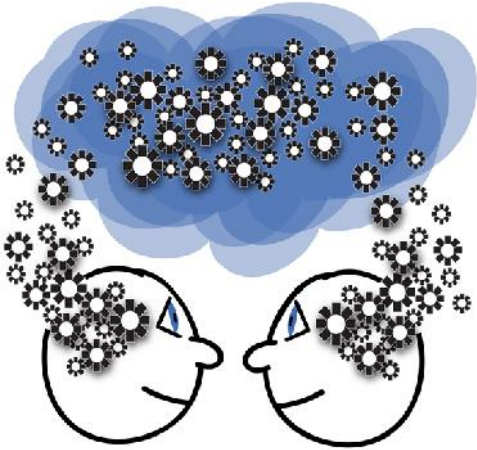
10. Deal with the questions/concerns of managers and employees

© 2020 Compensation Connections, LLC

33

33

Ideas?



© 2020 Compensation Connections, LLC

34

34

QUESTIONS? COMMENTS?

Nancy Kasmar, MS, SPHR, SHRM-SCP, CCP
Principal, Compensation Connections
nancyk@compensationconnections.com
www.linkedin.com/in/nancykasmar




© 2020 Compensation Connections, LLC

35

35

About Nancy



Nancy Kasmar, MS, SPHR, SHRM-SCP, CCP has over 30 years in management, including 14 years in HR and compensation. Nancy has worked with hundreds of companies as a compensation consultant since 2008. She also delivers presentations on HR topics, including compensation and benefits, throughout Washington State.

© 2020 Compensation Connections, LLC

36
36

36