

# EMPLOYMENT LAW BRIEFING

SUMMER 2016

**Wage & Hour Changes:** Oregon will no longer use the inflation-indexed January 1 adjustments to the minimum wage rate of recent years. The 2016 legislature adopted a tiered approach, based upon an Employer's location, with a series of scheduled increases, by tier, beginning on July 1. Changes are also coming, later this year, in the federal regulations governing the overtime exemption under the Fair Labor Standards Act. The revised rules will become effective on December 1.

**Oregon Minimum Wage:** On July 1, 2016, the hourly minimum wage rate for "**Tier 1**" Employers will increase from \$9.25 to **\$9.75**. Tier 1 includes Employers located within the Metro Service District covering Clackamas, Multnomah and Washington Counties, and including the cities of Beaverton, Cornelius, Damascus, Durham, Fairview, Forest Grove, Gladstone, Gresham, Happy Valley, Hillsboro, Johnson City, King City, Lake Oswego, Maywood Park, Milwaukie, Oregon City, Portland, Rivergrove, Sherwood, Tigard, Troutdale, Tualatin, West Linn, Wilsonville and Wood Village. On July 1, the hourly minimum wage rate for "**Tier 2**" Employers will also increase to **\$9.75**. Tier 2 Employers are those located in "**Urban**" counties, including Benton, Clatsop, Columbia, Deschutes, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Polk, Tillamook, Wasco, and Yamhill Counties. On July 1, the hourly minimum wage rate for "**Tier 3**" Employers will increase from \$9.25 to **\$9.50**. Tier 3 Employers are those located in "**Non-Urban**" counties, including Baker, Coos, Crook, Curry, Douglas, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa and Wheeler Counties. The rates for all tiers will increase again on July 1, 2017.

**Overtime Expansion:** Changes to the rules governing the exemption from overtime requirements, under the federal Fair Labor Standards Act, will become effective on **December 1, 2016**. The changes are expected to dramatically expand the number of employees who will be entitled to overtime pay. Generally, non-exempt employees, who work more than forty hours during a given workweek, must be paid the overtime rate (one and one-half times their regular hourly rate) for each hour worked in excess of forty hours. Qualifying exempt employees are not entitled to overtime pay regardless of how many hours they work during a workweek. In order to qualify for the overtime exemption, all or most of employees' duties must meet the regulatory definitions for exempt duties. Also, to qualify for exempt status, employees must be compensated on a *bona fide* salary basis, again as defined in the rules. In addition to performing exempt duties and being compensated on a *bona fide* salary basis, exempt status also requires that employees' compensation meets a minimum salary level. For more than a decade this minimum salary has been \$455.00 per week (\$23,660.00 annually). When the change takes effect, the minimum salary will be more than twice the current threshold, **\$913.00 per week (\$47,476.00 annually)**. After December 1, many formerly exempt employees who have performed exempt duties, and who have been compensated on a *bona fide* salary basis, but who are paid a weekly salary that is not at least \$913.00 will no longer qualify for the overtime exemption.

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