The End of Salaried Employees?

*Why proposed changes to overtime laws may have you anxious...*

Proposed changes to the Fair Labor Standards Act (“FLSA”) have the potential to make a major impact on the way dealers compensate many of their employees. For hourly employees the rule has, and will continue to be, that they are entitled to one and one-half times their regular rate of pay once they exceed 40 hours of work in a given workweek.

Since 2004 the exemption threshold for “white collared workers” (i.e. most of your office employees) from the overtime requirement has been $23,660/year. In plain English, a salaried inside salesperson making anything above that would not be eligible for overtime.

*The Change...* With direction from the White House, the Department of Labor’s proposed updates to this rule would increase the standard salary level to approximately $50,440 annually in 2016.

*Why the change?* Since the salary level test hasn't been updated in 11 years the government has stated that the change is necessary “To help build real, lasting economic security for more hardworking Americans...” If you are wondering where the number comes from, the $50,440/yr is derived from what is estimated to be the 40th percentile of earnings for full-time salaried worker. The rule would also set this amount to be automatically recalculated on an annual basis.

*What else may change?* The Department of Labor is seeking comments on whether or not to include bonuses as part of the calculations. This would conceivably include non-discretionary incentive bonuses tied to productivity and profitability.

*The potential effect on us...* Our industry is no doubt diverse in both the size of our companies and the demographics of the areas our businesses call home. While such a drastic change in the salary level may have a lessor impact on a lumberyard in a big city; its impact may be huge in a smaller town with a much lower cost of living.

“...small markets will now be living by big market standards...The same jobs will still need to be done while the company absorbs higher payroll related expenses... We pay fair wages for the lifestyle and comfort of living in a small town and with the proposed changes, it will cost us a great deal more.”

*Kelly Fox, CEO of Lumber Traders*

Be heard... The best way to be heard is to submit your comments directly to the U.S. Department of Labor’s Notice of Proposed Rule Making section. You can find that [here](#). **Comments will no longer be accepted after September 4th, so your immediate attention to this matter is vitally important if you feel this will negatively affect your business.**

*I want to know...* How will the changes affect you? I would love to hear from our members regarding if and how they see these new changes affecting their business. Besides voicing your opinion to me, make sure to write to your local representative.

Email me your thoughts to: [tom@wbma.org](mailto:tom@wbma.org).
The Price You Pay

Don’t hold fines and accidents at face value...

As much as we love the industry we are in, one thing that is unlikely to make other industries envious is our net profit percentages. Understanding how much sheetrock you need to sell to make up for the 2 pieces run over by a forklift will make you shiver if the estimates of 2-5% net profit are true. This however is a calculation many business have had to make and understand all too well.

But... Have you ever applied the “how much more do I need to sell test” to make up for a citation from OSHA, or even more costly, the serious injury of an employee? The numbers are staggering when you factor in both the direct and indirect costs of an injured employee. You will likely find that the cost to have a well-functioning health and safety plan in place to be one of the keys to ensuring profitability

To calculate the potential affect an injury could have on your bottom line, check out OSHA’s Safety Pays Program. There you will find a calculator that compares the cost of a workplace injury to the amount of inventory you need to sell to make up for that loss. As always... I would love to hear from you on whether you find it helpful or not.

Quote of the Month:

“Everyone says they go the extra mile. Almost no one actually does. Most people who do go there think, "Wait...no one else is here...why am I doing this?" And they leave, never to return. That’s why the extra mile is such a lonely place. That’s also why the extra mile is a place filled with opportunities. Be early. Stay late. Make the extra phone call. Send the extra email. Do the extra research. Help a customer unload or unpack a shipment. Don’t wait to be asked--offer. Don’t just tell employees what to do--show them what to do, and work beside them. Every time you do something, think of one extra thing you can do...especially if other people aren’t doing that extra thing. Sure, it’s hard. But that’s what will make you different. And over time, that’s what will make you incredibly successful.” Steve Jobs

Upcoming Events:

BUILDING MATERIAL MARKETING COURSE
OCTOBER 20-21, 2015
KINCAID LEARNING CENTER – OLYMPIA, WA

WBMA’S ANNUAL CONVENTION
NOVEMBER 3-5, 2015
TULALIP RESORT – MARYSVILLE, WA

INTRO TO BUILDING MATERIAL SALES
NOVEMBER 16, 2015
VALLEY RIVER INN – EUGENE, OR

ESTIMATING WORKSHOP
NOVEMBER 17-18, 2015
VALLEY RIVER INN – EUGENE, OR

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About the Author/Disclaimer:

Tom Rider is Manager of Member Services for the Western Building Material Association. He is committed to being a valued resource to its members particularly on regulatory compliance issues affecting building material suppliers. Unless stated otherwise, this regulatory newsletter is written by him. He is a lawyer, but respectfully he is not your lawyer (unless you have been in his office and signed a contract). This communication is not intended as legal advice, and no attorney client relationship results merely by reading it. Please consult your own attorney for legal advice. If you are a WBMA member and would like to contact Tom with questions and/or comments: tom@wbma.org