Engage PEO Client Alert:

Pennsylvania – Increase on Exempt Employee Minimum Salary Requirements

The Pennsylvania Department of Labor and Industry (Pennsylvania DLI) has updated the overtime rules under the Pennsylvania Minimum Wage Act (PMWA) and has significantly increased the minimum salary requirement for exempt employees. The change will raise the salary threshold for executives, administrative, and professional workers above the federal overtime threshold over the span of three years and may still rise after then.

Overview

The PMWA is the state-law equivalent of the federal Fair Labor Standards Act (FLSA). The PMWA's requirements apply to all employers in Pennsylvania. Both laws place minimum wage and overtime pay obligations on Pennsylvania employers. However, there are differences in the two laws. Pennsylvania employers must meet the requirements of both laws to ensure compliance. In areas where one law is more favorable to employees than the other, the employer must comply with the more employee-friendly requirements to avoid liability for unpaid minimum wages or overtime pay.

This past October, the Pennsylvania DLI changed the weekly threshold in the state from $455 to $684, which is the current federal threshold. On October 3, 2021, it will be raised again to $780 per week, and finally to $875 per week on October 3, 2022. Starting in 2023, the salary threshold will adjust automatically to an amount equal to the 10th percentile of all Pennsylvania workers who work in salaried exempt positions. Therefore, those employees whose salaries are in the bottom 10% of salaried exempt employees in Pennsylvania will need to receive compensation increases to meet the new increased requirement and qualify for an exemption.

Employers should keep in mind that the salary exemption levels will continue to change on an annual basis starting October 3, 2021. Between now and then, Pennsylvania employers should review the salary levels and duties of its exempt employees to ensure that the positions will still qualify as exempt under the PMWA and the FLSA.

If you have any questions regarding these new changes, please contact your Engage Human Resources Consultant or Account Manager.