Checklist for Exempt to Non-Exempt Status Change

When moving an employee from exempt/salary to non-exempt/hourly, there are several considerations to keep in mind. Administrative changes will need to be made and new time reporting requirements will need to be adhered to. As with anything, communication is key throughout the process. This checklist provides employers with a general roadmap for navigating these changes.

COMMUNICATION

- Communicate the change in status with the affected employee – explain the reason for the change, the effective date, what will stay the same and what they will need to do differently, such as:
    - Getting approval for overtime hours.
    - Tracking all hours worked (including texts, emails, calls during 'off hours').
    - Taking lunch and break periods – will they be paid or unpaid?
    - Tracking and compensation of travel time and attendance at work-related events.
    - Changes to paid time off accruals (if applicable) and changes to increments of time for paid time off.
- Communicate with the team lead/manager regarding the status change of their affected staff member – what will stay the same and what they will need to do differently, such as:
    - Monitoring work hours for the non-exempt employee and approving any potential overtime.
    - Stating expectations for answering work emails, texts, and calls during 'off hours'.
    - Managing workloads to ensure unnecessary overtime is not incurred.

ADMINISTRATIVE

- Update the payroll system to reflect the status change.
- Update timekeeping systems and processes.
- Document the change, the reason for the change and the effective date in the employee's personnel file.
- If the non-exempt employee receives nondiscretionary bonuses for a specific time period (e.g., monthly or quarterly commissions), the additional income needs to be included when calculating the employee's 'regular rate of pay'. The newly calculated 'regular rate of pay' would be used when determining their overtime rate for the same time period.

TIME TRACKING:

- Ensure that the non-exempt employee is trained on the company's timekeeping processes, such as:
    - How to login.
    - How to track start/stop times.
    - How to request and document time off.
    - How to make corrections if a time punch is missed or not accurate.
- Ensure that login credentials and access to the timekeeping system are functioning properly.