



BETTER WORKPLACES
BETTER WORLD™

EXECUTIVE SUMMARY

THE CASE FOR FLSA MODERNIZATION

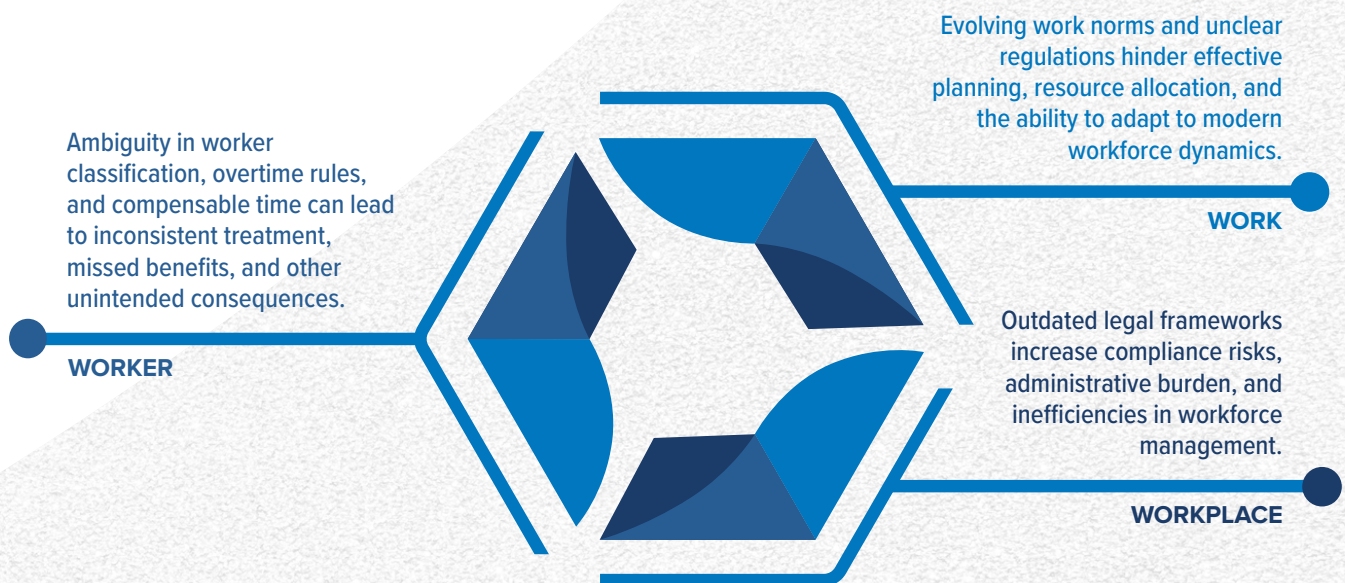


MODERNIZING FLSA

The Fair Labor Standards Act (FLSA), enacted in 1938, established minimum wage, overtime pay, recordkeeping, and youth employment standards that affect employees in the private sector and in the federal, state, and local government. The FLSA is a cornerstone in U.S. labor law, but it no longer reflects the realities of today's workforce. As the workplace continues to evolve and shift, the need for modernization has become increasingly apparent.

To understand the FLSA-related challenges that HR professionals face, SHRM Thought Leadership surveyed 1,211 HR professionals, identifying the major challenges they experience and uncovering the areas within the FLSA where updates and clarity would be most beneficial.

Reinforcing SHRM's calls for comprehensive modernization of the FLSA, insights from this research emphasize the urgent need for clear, statutory definitions and updated guidance because outdated and inconsistent regulations pose significant legal and financial risks for employers.



The Case for FLSA Modernization

KEY FINDINGS

1. Organizations need clear legislative definitions and updated guidance on worker classification to address widespread legal and financial concerns stemming from inconsistent regulations.

Most HR professionals (86%) said federal law should establish clear, uniform statutory definitions of an “employee” that are aligned across federal labor laws. The variability and inconsistency in employee classification regulations create compliance challenges for most organizations (69%), including legal (55%) and financial (47%) concerns associated with misclassification.

2. Most HR professionals want updates, clarity, and additional guidance on determining overtime exemptions and eligibility.

Less than 1 in 3 HR professionals (30%) said the regulations defining who is and is not an exempt employee for purposes of overtime are easily understood. Almost 3 in 4 HR professionals agreed that having clear, up-to-date guidance on overtime eligibility is essential for their organization to effectively manage their budget (74%) and engage in workforce planning (73%).

3. Organizations struggle the most with determining overtime exempt status based on the duties test, with mixed duties being the biggest hurdle.

Only about a third of organizations said they face challenges when determining overtime exempt status based on the salary basis test (34%) and the salary threshold test (31%), but more than half of organizations face challenges when determining overtime exempt status based on the duties test (58%). The most common challenge faced with the duties test is difficulty determining overtime exempt status when the employee regularly engages in a mix of both exempt and nonexempt duties and responsibilities (58%).

4. Evolving workday norms require clearer federal guidance and updated legal frameworks.

Most HR professionals agreed that technology and flexible work arrangements have significantly shifted the concept of a workday (83%), yet many said the law has not kept pace in providing a clear framework (74%). With changes in the modern workday, more than half of HR professionals said that tracking compensable time under the current FLSA framework is challenging (57%) and that it is important to have additional clarity on what compensable time is (66%).

Learn more about [SHRM's workplace governance priorities](#).





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