

Pennsylvania Exempt Employee Minimum Salary Requirements to Increase Above Federal Level

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Are you ready? In just over six months, Pennsylvania's minimum salary requirements for exempt employees are set to increase above the federal minimum standard for the first time. Ever since Pennsylvania's Minimum Wage Act was passed in 1968, it has mirrored the minimum wage levels and salary exemption minimums set forth in the Fair Labor Standards Act. That is about to change.

In October 2019, the Pennsylvania Department of Labor (the Department) issued new regulations to the Pennsylvania Minimum Wage Act. While not changing minimum wage in Pennsylvania, the new regulation called for several stepped increases to the minimum salary threshold for exempt positions in the state. The first increase was simply to equate to the new standard under the Fair Labor Standards Act, increasing from a minimum of \$455 per week to a minimum of \$684 per week (\$35,568 per year). Because this was also happening at a national level, few employers paid much attention to Pennsylvania's new regulations.

On October 3, 2021, the Pennsylvania Minimum Wage Act is set to increase the salary level again; the salary threshold will rise to \$780 per week (\$40,560 per year). Anyone not paid at least \$780 per week will not qualify for the white-collar exemptions and will therefore be treated as a non-exempt employee, who must have their hours tracked and be paid overtime at the rate of one-and-one-half-times their hourly rate for all hours worked over 40 in a workweek.

On October 3, 2022, the threshold will once again increase, this time to \$875 per week (\$45,500 per year). This is a 28% increase above the current \$684 per week level and a 92% increase above the 2019 minimum salary threshold.

On October 3, 2023, the annual salary threshold will be set at a "rate equal to the weighted average 10th percentile wages for Pennsylvania workers who work in exempt executive, administrative or professional classifications as determined by the Department with advice and consultation by the Minimum Wage Advisory Board and based on an annual wage survey of all worker classifications conducted by the Department"

The salary threshold will then be increased every three years thereafter, i.e., October 2026, October 2029, etc., in the same manner as done in October 2023.

With the increased salary levels, we anticipate greater enforcement efforts by the Pennsylvania Department of Labor. Accordingly, in addition to reviewing salary levels, employers should review job descriptions and ensure that all employees that they have classified as exempt remain properly classified.

For assistance with employee classification issues, wage and hour issues or any other labor or employment law needs, please contact Jeffrey Stewart (stewartj@whiteandwilliams.com, 610.782.4904) or any other member of our Labor and Employment Group.

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