

New U.S. Work and Wage Rules Wednesday

The Philadelphia Inquirer

05.17.2016

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Christopher S. Mayer

Christopher Mayer, partner at the Newark, N.J.-based law firm McCarter and English, calls the rules “big news,” part of Obama’s broader plan to use U.S. Labor Department rules and enforcement to increase net pay and wage levels. Companies will have to track workers’ hours more closely to make sure they comply.

Mayer says DoL and the Internal Revenue Service have also stepped up investigations of independent contracting arrangements. “Contractor misclassification” costs state and U.S. treasuries a lot of money, he told me. “If the Department of Labor and the IRS determine that an independent contractor is really an employee, they may become subject to the Fair Labor Standards Act” and the stricter new overtime rules.

Companies like Comcast, with its thousands of contract workers, could be affected on multiple levels. Not just installers — some layers of Comcast managers at call centers and other teams and groups — may come under the rules, Mayer said.

Information technology consulting firms will have to similarly review and, maybe, reclassify many service people as fulltime employees with overtime rights, Mayer added. That could mean big changes for the fiscal calculation on whether to provide services in-house or through outside companies.

The rule could have its biggest impact on low-wage Southern and Midwestern markets, Mayer added, and among retail, warehouse, hotel and hospitality, branch banking and nonprofit employers who typically pay low wages.

He expects companies will have 60 to 90 days to implement new policies. While the administration’s goal was announced years ago and the rules well in advance, Mayer says he expects many employers still aren’t ready, and there could be a political reaction.

As at Vanguard, some companies may react — instead of boosting net pay, as Obama envisions — by taking steps that threaten to cut workers’ take-home pay. Mayer warned that can be a disruptive course for any company to take, especially as wages are finally starting to rise, seven years after the last recession. Some companies, he concluded, have a lot of training ahead.