

Court says exempt employee can sue for overtime pay

The Colorado Court of Appeals has determined that an employee, wrongly classified as “exempt,” can sue his former employer for overtime pay for violating the Fair Labor Standards Act’s (FLSA) overtime compensation requirements.

Background

The FLSA establishes the federal minimum wage and the overtime compensation that most employers must pay their nonexempt employees. The FLSA also establishes a number of exemptions to these regulations for “bona fide executive, administrative or professional” employees.

According to the FLSA, to be exempt, an employee must earn a salary of at least \$250 per week and have a “primary duty [which] consists of either the performance of office or non-manual work directly related to management policies or general business operations of the employer...where the performance of such primary duty includes work requiring the exercise of discretion and independent judgment.”

The FLSA regulations also state that the exemption “does not include employees training for employment in an administrative capacity who are not actually performing the duties of an administrative employee.”

The Case

Samuel Daniels worked for Caleel+Hayden L.L.C. in Denver as an accounts payable specialist for four months in 2001. Daniels was paid a salary exceeding \$250 per week to perform office work. Caleel+Hayden classified Daniels as exempt based on an FLSA exemption for bona fide administrative employees. Daniels disagreed with his classification and sued his employer in district court for overtime pay.

Daniels and Caleel+Hayden dispute the nature of Daniel’s primary duty. Records show that Daniels spent over 50 percent of his time processing accounts payable, an activity which requires only clerical or basic bookkeeping skills. Daniels also contends that he was in training for an exempt position, but that he never actually assumed the duties of that position.

Caleel+Hayden requested that the case be dismissed. The district court agreed with Caleel+Hayden and issued a summary judgment in their favor. The court said that Daniels was exempt from overtime pay as an administrative employee under FLSA regulations.

Daniels appealed the case, claiming that a summary judgment was improper because factual issues concerning his exempt status remained disputed. In May 2003, the Colorado Court of Appeals reversed the district court’s decision. The appeals court said that exemptions under the FLSA are to be narrowly construed. The employer must show that the employee “plainly and unmistakably” falls within the exemption’s terms. The case has been sent back to district court for further proceedings.

This holding emphasizes the importance of making careful employee classifications based on current job descriptions. Employers who cannot show that the specific duties performed meet the exempt classification requirements could be in peril of reclassification claims under this Colorado Court of Appeals case.

CTSI recommends that you consult an attorney if you are uncertain how to classify an employee. For more information, contact CTSI at 303.861.0507.

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