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Supreme Court Expands Interpretation of Overtime Exemption

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Employers may have a bit more flexibility in determining which employees are exempt from overtime following a U.S. Supreme Court ruling issued this week that specifically rejected the decades-old principle that exemptions under the Fair Labor Standards Act (FLSA) should be "narrowly construed." In a 5-4 decision, the Supreme Court ruled in *Encino Motor Cars, LLC v. Navarro* that an automobile dealership need not pay its service advisors time and one-half for all hours worked in excess of forty in a work week. In deciding that service advisors were exempt employees under the FLSA, the Court rejected the U.S. Department of Labor regulation that previously required service advisors to be paid overtime.

The case hinged on the interpretation of FLSA Section 213(b)(10)(A), which provides an exemption from overtime pay for "any salesman, partsman, or mechanic primarily engaged in selling or servicing automobiles, trucks or farm implements." Although service advisors do not directly sell vehicles or engage in the manual labor of maintaining vehicles, the Court interpreted the "primarily engaged in" requirement to include consulting with customers about their cars, suggesting repair and maintenance services, selling accessories or replacement parts, and explaining the services provided by technicians. Citing the Oxford English Dictionary and the Random House Dictionary of the English Language,

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the Court determined that “service advisors are integral to the servicing process,” and therefore “a service advisor is obviously a ‘salesman’.”

This decision may have significant impact for all employers covered by the FLSA, not just vehicle dealerships. If the change in the “narrowly construed” principle were to be more broadly applied to various types of currently non-exempt employees in other industries, many of them may no longer be required to be paid time and one-half for hours worked in excess of forty in a week.